Daily Report

Latin America

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Cuba

Cuba: Foreign Minister Comments on Helms-Burton Law

PA2403213396 Havana Radio Havana Cuba in Spanish 0000 GMT 24 Mar 96

[From the "Evening Information Review" newscast; passages within quotation marks recorded]

[FBIS Translated Excerpt] A public hearing was held recently in the popular Havana neighborhood of El Cerro to analyze the Helms-Burton law. Foreign Minister Roberto Robaina and other leaders attended the event. Our reporter Barbara Betancourt has filed the following report.

[Betancourt] "Most Cubans are extremely interested in learning more about the recently passed Helms-Burton law, which wants the Cuban people to surrender and their revolution to fail. If the law's objectives were not so base and criminal, its farfetched methods designed to reach such goals would only induce laughter. [passage omitted]

Amid applause and occasional interruptions by shouting of slogans, Robaina broadly addressed all the questions in a single speech."

[Robaina] "I can assure you that one feels, as things unfold, that the country is yearning for discussions. I know that our people, especially the men, women, teenagers, and children are closely following the events concerning Cuba and the United States. Anyway, I had no idea how much interest it had sparked until we returned to Cuba. Regardless of their viewpoints, I have seen how the Cuban families are participating, on every street and on every corner, in the discussion of a matter that touches the dignity and sovereignty of the country. Many people have asked me where the arguments came from, and whether we were prepared with the evidence and instruments to confront this sort of battle or debate. I would not like for you to make any personifications, whether it be Roberto or anbody else, because what happened in Cuba, or whatever happened on behalf of Cuba at the United Nations, must be led by a person for it to [indistinct]. But I find it necessary to take a moment to explain that if we win this battle, it will basically be for two reasons: first, because we have the tremendous support of our people, who have resisted; second, because Fidel Castro was leading the battle, and let there be no doubt about it. [applause]

The basic argument for defending this country is to accept and understand how many things this country has had to resist for more than 37 years. The people have always been the key factor. We at the Foreign Ministry have long been frustrated trying to convey, in our own words, the magnitude and scope of our people's efforts during the long morning, afternoon, and evening hours of sacrifice accompanied by many limitations."

[Bentancourt] "Robaina also told the audience of the messages the Cuban delegation received at the United Nations."

[Robaina] "People in great numbers would approach us simply to thank Cuba for stating at the United Nations what they would have liked to say, but were afraid to, due to pressures. [applause] And these countries, which are caught in the middle, do not like to see powerful countries pushing a small country such as Cuba and said: thank you, for you have told the Americans bluntly to their faces what I wish I could say but cannot. Evidently, that is food for the soul, the spirit, and the country's overall achievements."

[Betancourt] "On the future of the migration agreements with the United States, Robaina had the following reply."

[Robaina] "We do not believe that the migration agreements will suffer any setback. Despite the circumstances, we have always, at least [indistinct] the United States and its people, that we are willing to talk with them and honor our agreements. We have talked with the United States and have sat down as equals. If the United States plans to sit on a presidential chair and have Cuba sit on an auditorium seat in order to talk, then we have nothing to discuss with the United States."

[Betancourt] "Robaina said that the Cuban Government is currently studying ways to deal with the Helms-Burton law, which will surely not go unanswered."

[Robaina] "We do not want to make promises if we are not going to... [pauses] we do not want to react with speeches or rhetoric. We should not tell that country, [words indistinct] would change some aspects of the speech: I will not turn over the school, the child care center, or the home. I think we need to say: I dare you to come after the child care center, the home, or the hospital. [applause] I say this because, look, we have the moral authority to tell the world that we have overcome the worst of our crisis. Those of us who stayed are resisting. And we are no longer just resisting, which is what hurts the Americans. Besides resisting, which in itself is a victory, we are now starting to show results. Our 2.5 percent economic growth has been a pain in the neck for them. The possibility of 5 percent growth this year is a pain in the neck for them. Their arrogance and power is such that there is no way for them to understand how this country can live, exist, laugh, dance, and sing despite it being troubled by so much deprivation. This country can, in the worst of

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times, carry on with joy, and resist, no matter what they do to us. We are capable of resisting all of these things."

[Betancourt] "At the conclusion of his speech, Robaina paid tribute to a sector of Cuban society, which has increasingly proven its spirit of resistance."

[Robaina] "I recall a powerful message that became popular among the students back when I was a member of the FEU [Federation of University Students], that said: those of us already born and those yet to be born, are born to conquer and not to lose. I only want to say the following. Let it be known by those already born and those not yet born. We were born to conquer because we were born to Cuban women. Thank you." [applause]

Cuba: Radio on 'Revengeful Resolve' of Helms-Burton Law

PA2303162296 Havana Radio Rebelde Network in Spanish 1800 GMT 21 Mar 96

[Commentary by Orlando Contreras; from the "National Radio News" newscast]

[FBIS Translated Text] In other countries sometimes it is believed that when Cuba says it has lived for more than three and a half decades harassed by the practically quasi-pathological hostility of its powerful northern neighbor, there is some exaggeration.

For Cubans, who have suffered this constant aggressiveness, the latest expression of which is the Helms-Burton law, this reality is part of our life. Last night during the appearance of Ricardo Alarcon, president of the National Assembly of the People's Government, the Cuban people were able to see for themselves how far this aggressiveness reaches.

The empire not only continues its machinations to crush Cuba, but goes to the delirious height of designing a protectorate for the island, believing that its aggressions can be successful. Thus, something never seen before takes place in the world, as Alarcon pointed out: A foreign country legislating over the nationality of citizens of other countries: Cuba, in this case.

The unchecked revenge of the legislation's proponents and of those who seconded the bill, reaches such heights that they apply and include in the law as an inexcusable proposition to end the blockade and establish commercial and diplomatic relations — even with a satellite government dreamt up by them — that North Americans, the authentic ones and the false ones, will be given all the properties that the legitimate revolutionary Cuban Government recovered for the people. Among those properties — and here there are two subparts of the Helms-Burton law that reinforce that revengeful resolve — are included even houses and apartments.

This law, which intends to attack not only Cuban sovereignty, but that of all independent and sovereign nations in the entire world, is the culmination of a policy blinded by hatred, with which nine Yankee administrations have been tarnished.

As far back as 6 April 1960, in a secret document filed under number 737.00/4-660, in the central file [preceding two words in English], whose source is the State Department, inter-American assistant secretary of state (Marjorie), sent a memorandum to inter-American secretary of state (Rabdon), subtitled "The Decline and Fall of Castro," listing five points of Cuban daily realities. The document proposes definite measures, and I quote: hunger, despair, and the overthrow of the government.

This was proposed on 6 April 1960; in a few days 36 years will have passed. No longer working — I do not even know if they are still alive — are (Marjorie) and (Rabdon). Now they are called Helms-Burton and associated gangsters. The names change, but not the policy of hatred and revenge. What remains sound and safe is the Cuban people; its legitimate government, its revolutionary conquests.

Cuba: Radio Criticizes U.S. Envoy to UN's Remarks

PA2303164596 Havana PRENSA LATINA in Spanish 0015 GMT 21 Mar 96

[FBIS Translated Text] United Nations, 20 Mar (PL) — The double standard used by the Western world's main powers to evaluate human rights, today reached an all-time high with the speech by the U.S. representative to the Geneva commission.

If one takes into account Washington's situation and actions in this sphere, Madeline Albright, permanent U.S. representative to the United Nations, spoke on Wednesday to delegates from 53 commission member-states in language loaded with contradictions.

This was the appraisal of her reference to a handful of governments that brandish the flag of economic rights to detract attention from political rights, when in her country these political rights are invoked to disregard economic rights, in a violation of the precepts on interrelations and unity proclaimed by the international community.

Also ironic was her appraisal of the genocide in Rwanda in 1995, because everyone knows that, due to strong U.S. pressures, the UN Security Council was unable

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to prevent the deterioration of the situation and the resulting outcome.

Her words had the same ring at the world conference in Beijing on the growing consensus for women to enjoy equal access to education, work, medical attention, and positions of economic and political power in their respective countries.

It is known that the United States is one of the few countries in the world that has yet to ratify the convention for the elimination of all kinds of discrimination against women.

Its appeal to end violence against women and sexual violence is an irony, at least, bearing in mind the high incidence of these in U.S. society, where no official action is taken against their structural causes — all of an economic and social nature.

In its role as human rights champion the United States talked today about the alleged violations in various, carefully selected, countries of the world, and it said intolerance is the second major source of these arbitrary actions.

It thus confirmed what was stated by the commission's last president, Musa Bin Hitam. On 15 March he said that, if a state is a friend of one of the great Western powers, that state can commit these actions from the political, economic, and social viewpoint, whereas the state that is not a friend will constantly be under surveillance.

Referring to intolerance, more than three decades of blockade against Cuba —an action that has been condemned on four occasions by the UN General Assembly with increasing and progressive support from other countries — is still in effect and now there is an attempt to strengthen even more the cordon around that small country.

Madeleine Albright called for strengthening the peacekeeping capability of the United Nations and regional organizations, as well as encouraging them as a force for democracy around the world.

This is interpreted as clear evidence of Washington's intentions to keep using them for the protection of its vital interests, as occurred a few years ago in Somalia, Haiti, and, more recently, in Bosnia and Herzegovina, with NATO's participation in these tasks.

The force for democracy thus becomes the imposition of democracy — according to the United States' style and wishes — by force.

It is also clear the White House also wants to use the United Nations at will, as just occurred with the extension of the blue helmets' mandate in Haiti.

Simultaneously, the United States attacks the organization for being inefficient, an argument used to avoid paying its debts to the international community, in excess of $1.3 billion.

Cuba: Foreign Ministry Source Comments on Emigres' Visit

PA2303203396 Paris AFP in Spanish 1820 GMT 23 Mar 96

[FBIS Translated Text] Havana, 24 Mar (AFP) — The Cuban Foreign Affairs Ministry said on Saturday that the visit of a group of moderate emigres is part of the normalization of relations agreed on within the framework of The Nation and The Immigration Conference.

A foreign relations ministry source told AFP that "these persons are here as part of The Nation and The Immigration Conference, and the normalization process between Cuba and their community."

The Nation and The Immigration Conferences held in 1994 and 1995 have marked a process of rapprochement between the Cuban Government and the Cuban community abroad, excluding conservative groups.

Cuban Change [Cambio Cubano] leader and former army commander Eloy Gutierrez Menoyo, lawyer Magda Montiel-Davis, and journalist Lazaro Farinas, among others, are in Havana where they have met with high-ranking officials.

Foreign Affairs Minister Roberto Robaina, Parliament President Ricardo Alarcon, and Jose Ramon Balaguer, head of the Department of International Relations and Revolutionary Orientation of the Communist Party of Cuba, met individually with visitors.

The visitors were also received by Foreign Trade Minister Ricardo Cabrisas Ruiz.

The foreign relations ministry source said "this is not the first group to have come. Others have come before this group, and other groups will follow."

The source denied that the visit was due to the current crisis between Cuba and the United States motivated by the downing of two anti-Castro aircraft and the promulgation of the Helms-Burton law, aggravating political differences.

"The trip is not due to the current situation, nor is it removed from it," the foreign affairs ministry source said.

In a hotel in Havana, Eloy Gutierrez Menoyo, declined to make any comments until he fulfills "the Cuban

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Change agenda" which brought him and his family to Cuba.

Gutierrez Menoyo kept away from rest of the moderate emigres that traveled to Cuba, including lawyer Alicia Torres, director of the Cuban-American Committee.

Xiomara Almaguer and Eddy Levi, leaders of a humanitarian group, were also in Cuba.

As a result of the recent crisis, Cuban officials stated that Fidel Castro's government will continue the process of normalizing relations with Cuban communities abroad, while enforcing the immigration agreement with the United States.

Thus, the recently approved "travel validity document" — a kind of multiple visa valid for two years and renewable for three years — for Cubans residing outside Cuba, will remain valid, making communications easier.

Cuba: Castro Presides Over PCC Central Committee Meeting

PA2403015396 Havana PRENSA LATINA in Spanish 0108 GMT 24 Mar 96

[FBIS Translated Text] Havana, 23 Mar (PL) — The fifth plenary session of the Central Committee of the Communist Party of Cuba (PCC), presided over by First Secretary Fidel Castro, is meeting in Havana today, official sources have reported.

The most important meeting of the PCC between congresses — regularly held every four years — has been in session since yesterday, studying the foremost aspects of the economic events in the country, which is currently involved in a transformation process to surmount the economic crisis of the past five years.

The meeting's agenda also includes an assessment of the country's political and social situation, as well as the corresponding ideological measures directed at supporting the government in the solution of the problems being debated.

The party plenary is being held at a time when it is expected that Cuba will have 5 percent economic growth this year, a figure that doubles the one registered in 1995 (2.5 percent), despite attempts made by the United States to strengthen the blockade against the island through the recently approved Helms-Burton law.

This law, which attempts to globalize Washington's siege — in force since 1962 — has been actively repulsed by the world because it violates the basic principles of commerce and international relations.

Cuba: Castro Closes 5th Plenum of PCC Central Committee

PA2403200296 Havana PRENSA LATINA in Spanish 1712 GMT 24 Mar 96

[FBIS Translated Text] Havana, 24 Mar (PL) — According to official reports, the 5th Plenum of the Central Committee of the Communist Party of Cuba (PCC), which began meeting on Saturday the 23d, concluded today.

Fidel Castro Ruz, first secretary of the PCC, presided over the PCC meeting and gave the closing remarks at the event.

The Central Committee's plenum, held between congresses, analyzed the most important aspects of the country's economic situation.

The Central Committee also indicated that the recovery process depends, more than ever, on domestic capability. Thus, this process requires a maximum level of efficiency from all leadership links and also the awareness of the workers.

The agenda of the plenum also included the evaluation of the country's political and social situation and the corresponding ideological task of the party.

The event began with a report by the PCC Politburo, presented by Army General Raul Castro Ruz, second secretary of the PCC.

Yesterday evening, various officials gave speeches on this momentous occasion, including remarks by First Secretary Fidel Castro. Castro closed the PCC meeting this morning.

Cuba: 'Weekly' on European, Israeli Real Estate Ventures

PA2303174996 Madrid EFE in Spanish 2343 GMT 19 Mar 96

[FBIS Translated Text] Havana, 19 Mar (EFE) — The latest edition of the OPCIONES weekly has reported that Cuba just announced two joint venture firms in the real estate sector; the first with European resources, and the second with an Israeli group.

According to OPCIONES, the announcement was made at the real estate fair held in Cannes, France recently, and attended by more than 2,000 companies.

The first company, Real Inmobiliaria S.A., linked the Sociedad de Montecarlo Real State S.A., that mainly has French and Italian assets, and the Sociedad Inmobiliara Lares S.A. that belongs to the powerful state-owned Cubalse corporation. The new company will build 600

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luxury apartments in privileged areas of Havana. The client is allowed to decide the design of his apartment at a price of $1,200 per square meter. Those apartments, which will require an investment of between $8 to $10 million in construction, are to be assigned exclusively to foreigners who may or may not have permanent residency in the country, the weekly said in its article.

The second agreement with the same characteristics was signed by the same Cuban company with the Israeli BM group, through its branch, GBM Miramar Construction. Its objective, OPCIONES reported, is to build an architectural complex for offices, commercial locales, and vehicle parking in an 150,000-square-meter area in Havana.

The first real estate firm, called Aurea, was established between the partially government-owned Spanish Argentaria consortium and the Office of the Havana Historian that controls all the restoration work in this area. Aurea initiated its activities with the renovation of the former Lonja de Comercio building, located in the center of the city's historic area, that is to be converted to an office building.

The possibilities of real estate investment in the island was opened with the new foreign investment law approved by the Cuban Parliament in September 1995, which, for the first time since the revolution, authorizes a foreigner to own an apartment in the island. Cuban authorities stated a few months ago that foreigners can only buy new buildings, that is to say, buildings that have been built especially for such a purpose.

Cuba: Slovak Delegation Signs Investment Agreement

PA2403014696 Havana PRENSA LATINA in Spanish 1734 GMT 22 Mar 96

[FBIS Translated Text] Havana, 22 Mar (PL) — An important delegation from Slovakia will return home today after adding the finishing touches to an agreement to promote and protect investment and create a joint intergovernmental Cuba-Slovak commission.

The delegation, which has been visiting Cuba since Wednesday, also discussed with its hosts Bratislava's participation in a project to manufacture refrigerators and another one to assemble small cylinder [cilindraje] motorcycles here.

Tatiana Sibankova and Pavol Hermo, first deputy ministers of Finance and Economy [names and titles as received], respectively, were members of the visiting delegation.

Currently, Cuba has signed agreements to promote and protect investments with 15 countries: Italy (May 1993); Russia (July 1993); Spain and Colombia (1994); the United Kingdom, China, Ukraine, Bolivia, Vietnam, Argentina, Lebanon, and South Africa (1995); as well as Chile, Romania, and Barbados thus far this year.

Cuba: World Food Program Official Discusses Cooperation

PA2303122796 Havana PRENSA LATINA in Spanish 1503 GMT 21 Mar 96

[FBIS Translated Text] Havana, 21 Mar (PL) — Giuseppe Lubatti, director of the UN World Food Program (WFP), today said that Cuba is among the most important WFP donors, despite facing economic difficulties.

At a Cuban UN Association (ACNU) meeting, which was held to commemorate the 20th anniversary of cooperation between the WFP and Havana, Lubatti noted that Cuba delivers a generous share of sugar to relieve shortages in various part of the world.

Likewise, the program has allocated more than $166 million to Cuba in less than 20 years, making it the largest donor to Cuba within the UN system.

Among the cooperation projects with Cuba, Lubatti mentioned "Cuba 4391," which began in 1992 to promote milk production in Cuba, and another one to study rural development in Granma Province, which is located 730 km east of Havana.

Furthermore, Ariel Francais, resident coordinator for the UN System in Cuba, praised local and WFP officials for these years of cooperation that "mainly benefit children" here, he stressed.

Cuba: Official on Issues Discussed at CTC Conference

PA2403193196 Havana Radio Rebelde Network in Spanish 1255 GMT 21 Mar 96

[From the "Doing Radio" newscast]

[FBIS Translated Text] [Reporter] Efficiency was the key topic discussed all day yesterday at the conference held by the CTC [Cuban Workers Federation] in Havana City. Issues affecting efficiency, such as neglect, were also analyzed. The construction of works in the tourism sector and the delays that affect them were among the usual matters discussed at the conference. One of our comrades, Alfredo Reyes, secretary general of the labor union executive committee [buro sindical] of construction works at the Havana Libre Hotel, is with us today to discuss delays in the construction project at the Havana Libre. This project was started in November 1994 and was scheduled to be completed in two phases:

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the first phase was to be delivered in August 1995, while the second one was expected to be finished by 5 December. However, both of these deadlines had to be extended. The completion of the second phase will be delayed due to problems with the supplies. Alfredo, could you tell us what is the current status of this construction project?

[Reyes] We are still working on the first phase. This construction project comprises a total of 244 rooms from the 15th to the 24th floor. On 26 March, we plan to have the first 127 rooms completed. We plan to finish the second phase of the Havana Libre project by 5 December. As I have said before, we plan to complete all the rooms from the 15th to the 24th level on 30 April to commemorate 1 May. We have completed approximately 60 percent of the work on these floors, which make up the hotel's right wing, and we have approximately another month to finish it. This is a very arduous task for us, but I believe we will be able to keep pace as long as we have access to the necessary supplies.

[Reporter] What are the essential factors to complete this work?

[Reyes] I believe the availability of supplies is pivotal in meeting the deadline. I believe our labor force is very organized.

[Reporter] Go on.

[Reyes] We have the necessary organization to finish this work. We have even adopted a new work technique with minimum control, which allows workers to be more productive and improve their performance and involves more financial incentives, among other incentives. We believe that a worker who is more productive will be more likely to bring about a successful outcome. In addition, we believe that our current form of organization will [words indistinct] construction projects.

[Reporter] However, during the provincial conference held in Havana City yesterday, you said that the need to expedite the delivery of the materials — some of which are already in Cuba in the possession of the different organizations linked to the project — had been stressed approximately a month ago. In spite of this, not all the organizations linked to a project of this type, namely, the remodeling of the Havana Libre Hotel, have given the appropriate response. What is the reason for this?

[Reyes] As we said on different occasions, we have seen a delay in adopting decisions with regard to materials. For instance, we had planned to complete the first 127 rooms by 27 February. However, since we did not have the paint — either it had not arrived or it had not been purchased — we were unable to deliver these rooms on time. Consequently, the deadline to finish up these rooms has already been postponed a month, and now they will not be ready until 26 March. The point I was trying to make was that we cannot finish the work with all these inconsistencies and we must have a certain degree of assurance regarding the availability of materials to be able to work.

[Reporter] In this regard, CTC Secretary General Pedro Ross Leal made the following statement during the provincial conference held in Havana City yesterday:

[Begin Ross Leal recording] I believe you, the participants in this assembly, must demand that those responsible for the current delay get their act together. [applause] We must demand the investors, the [word indistinct], the construction minister, the company's directors, the investors from the Tourism Ministry that the supplies be delivered on time as stipulated. [Words indistinct] that some difficulties had been experienced, but that it would not happen again. Now, after two months, this assembly [words indistinct]. Today is already 20 March, which means that we are back to where we started. I believe we cannot keep quiet. The members of the union must not wait until an assembly is held to discuss this problem. [end recording]

[Reporter] Ross Leal's remarks in regard to actions that should be adopted immediately in the case of the Havana Libre Hotel were categorical. The CTC provincial conference held in Havana City yesterday also categorically outlined the essential factors to carry out the various projects in the capital city, particularly in those sectors described as the engines of our economy in Cuba's current situation. Perhaps, the case of the Havana Libre Hotel project can be compared to the situation experienced in another key center, the (Conrado Acuna) in El Cotorro. There, it was demonstrated that when there is unity among all the sectors participating in a productive process, they can operate in a harmonious way and obtain favorable results for the nation's development.

This is why I believe that in the case of the Havana Libre Hotel, all those factors involved in the project's execution must be considered. Comrade Pedro Ross Leal explained to me yesterday that, thus far, the delays in completing the Havana Libre project already entail a loss of $20 million to Cuba. How can we think about promoting development, improving our economy, and generating jobs when we are losing this kind of money? There is no justification for this, because there are construction workers willing and able to finish these rooms at the Havana Libre Hotel, but they simply do not have the necessary supplies. Unity is necessary to undertake any revolutionary action at this juncture in the history of our nation.

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Cuba: Tourism Minister Reports Growth in Sector

PA2303043596 Havana Cubavision Network in Spanish 0100 GMT 22 Mar 96

[Report by Hilda Prieto; from the "NTV" newscast]

[FBIS Translated Text] The Second Ibero-American Meeting for Tourism Development that started [words indistinct] is being attended by 17 countries. Cuban Tourism Minister Osmany Cienfuegos delivered the inaugural speech. He commented on [words indistinct] received more than 740,000 visitors in 1995.

[Begin Cienfuegos recording] We are doing well this year, when we will see a definitive take-off in tourism to our great island. [sentence as heard] Evidence of this is that the country received 197,570 visitors in January and February, 45 percent more than [words indistinct] the previous year. [end recording]

The Spanish minister of commerce and tourism also spoke at the inauguration [words indistinct]:

[Begin Spanish minister recording] It violates international private law and has an extraterritorial effect that violates international law, and thus, we oppose it [words indistinct]. [end recording]

An agreement was signed by Minister Osmany Cienfuegos and [words indistinct]. The main topics being discussed by the meeting participants are foreign investment and training as strategies to ensure the competitiveness of the Ibero-American tourist sector.

Cuba: 'Open Agenda' Discusses Tax Collection, Corruption

PA2403190196 Havana Cubavision Network in Spanish 0242 GMT 20 Mar 96

["Open Agenda" program hosted by Antonio Resillez with Maria de los Angeles Penate, tax collection director in the National Tax Administration, Luis Francisco Suero, revenue director in the Finance and Price Ministry, and Antonio de Lagiar, coordinator of the Committee for the Defense of the Revolution in the Cubavision Network studio in Havana; and Jose Garcia, head of the Tax Administration Office in Holguin Province, via relay — live or recorded]

[FBIS Summary] Resillez begins by asking Penate about the tax collection situation. Using a chart, she explains that the revenue sources have been divided into three large groups, state, non-state, and the population, but that she has figures for January and February only. The office had estimated a 1.9403 billion-peso revenue for the first two months, but 2.1 billion pesos were collected instead, a surplus of 159.7 million pesos. She continues to say that the citizens' tax is further divided into the self-employed and surface transportation taxes. The office had estimated that it would collect 20 million pesos in these two months, but collected 28.1 million pesos, a surplus of 8.1 million pesos. Many of the self-employed workers, however, have not yet paid the minimum taxes within the voluntarily alloted time. As for the surface transportation tax, the office had estimated 9 million pesos, but collected only 3.8 million pesos, a shortfall of 5.2 million. Consequently, the deadline for voluntary payment without surcharges was extended to 31 March.

Resillez then asks Francisco whether the figures provided by Penate meet the finance ministry's tax collection expectations. Francisco answers: "Generally speaking, the tax collection pattern for these two months is acceptable." He continues to say that the office, however, will keep working on those areas where the tax collection figures are less than estimated. In addition, new taxes, such as those on foreign exhange, will be collected. In previous programs, it had been said that the 1996 budget stood at 580 million pesos and that measures would be taken during the year to increase this figure. Taxes from enterprises and utilities in general have been very favorable, he says. As for strengthening fiscal discipline, he says: "We conducted an opinion poll in four provinces and found that 16 percent of the taxpayers pay their taxes after the deadline. In 1995, the office took action against them and issued approximately 11,000 warnings. Several steps are being taken to ensure strict collection of taxes. One of them is providing taxpayers with a more flexible schedule to make payments. Another is training tax collectors. Still another is creating fiscal districts, and establishing a stronger fiscal inspection and auditing system." For instance, he says, in 1995 approximately 27,000 audits were carried out and 143 million pesos were collected as a result. Even stronger actions in this area are planned for 1996.

Later in the program, Resillez tells Penate that many television viewers think the taxes are too high in Havana. He then asks her whether self-employment has diminished as a result of the higher taxes. Penate answers that fluctuations in the number of active people have always occurred in this sector. For instance, she says, that although an average of 4,200 people in Havana end self-employment every month, another 1,400 people delve into it. The number of people who registered as taxpayers in Havana decreased in February. This is caused in part by higher taxes and in part by natural causes. In February, 3,784 self-employed persons in Havana ended their self-employment and 2,270 new persons became self-employed. The three areas in which the larger number of desertions occurred

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were those of retail food vendors, taxicab drivers, and craftsmen.

Asked whether the authorities have detected any instances of corruption in officials in charge of collecting these taxes, Francisco answers: "This is a very important question. We believe that an important condition for the population to accept taxes is the assurance that the money is handled transparently and honestly. So far, we have not detected any case of corruption. Nevertheless, there have been violations of professional ethics by some auditors. We have acted swiftly and removed these officials."

Resillez comments on the possibility of some taxpayers trying to bribe tax collection officials. Francisco says: "Some instances have occurred where money has been offered to them in a more or less concealed manner through invitations or gifts. Auditors are not allowed to accept any gifts or invitations. But, some of them have been attacked. They have to work in a difficult environment."

CDR coordinator Antonio de Lagiar comments on the CDR's contribution to clarifying the tax system. He says that the organization makes an important contribution to establishing obedience, law, and harmony. "We are in a position to effect a happy communication with the people and create an awareness of the need to pay taxes and abide by the law."

Cuba: Politburo Members' Activities Through 21 Mar

PA2403032396

[FBIS Report] The following is a compilation of reports on the activities of Cuban Communist Party Central Committee Politburo members monitored through 21 March.

On the occasion of Cuban media day on 14 March, in Las Tunas, Carlos Lage, secretary of the Executive Committee of the Council of Ministers and vice president of the Council of State, stressed the efforts of Cuban media workers and the importance that this work has for the country at the present time, because we must give all the information to the population regarding the problems we are facing, their causes, and the measures that are being adopted. The Politburo member also highlighted the work the media is doing in the current sugar harvest. (Havana Radio Rebelde Network in Spanish 1800 GMT 14 Mar 96)

In Las Tunas, Carlos Lage assessed the damage caused by rain in the past days in Las Tunas. He said that the harvest had been developing adequately before the rains. Lage noted that working conditions are better than last year's but still difficult. He adds that there is still a significant number of damaged equipment. Lage points out that there are conditions that will allow a recovery and the reaching of established goals. He decided to distribute materials among the population to fix damaged houses and to establish a commission to assess the damage and needs. (Havana Cubavision Network in Spanish 0100 GMT 15 Mar 96)

Foreign Minister Roberto Robaina congratulated a group of journalists at the International Press Center. Robaina said he has learned about the work of the media in his three years as foreign minister. He notes that he has received important lessons and advice from local and foreign journalists. Robaina noted that journalists have a sixth sense to see what others do not. (Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 16 Mar 96)

Yadira Garcia, first secretary of the Communist Party of Cuba in Matanzas and a Politburo member, has urged Matanzas residents to participate in efforts to fulfill 35 tasks to mark the victory at the Playa Giron. (Havana Radio Rebelde Network in Spanish 1800 GMT 16 Mar 96)

The Cuban Council of State granted awards of distinction to six journalists who, through their daily activities, best promoted the country's cultural values. Participating in the event were Political Bureau members Abel Prieto, Jose Ramon Balaguer, and Maria de los Angeles Garcia, as well as other high-ranking officials and intellectuals. (Havana TeleRebelde and Cubavision Networks in Spanish 0100 GMT 19 Mar 96)

Jose Ramon Balaguer, member of the Politburo, and Division General Nestor Lopez Cubas took part in an event organized by the Revolutionary Armed Forces, FAR, honoring Cuban journalists. During the event, 45 journalists were granted awards for their contribution during 1995 to covering FAR activities and accurately conveying the truthfulness of the 24 February incidents. Also congratulated on their respective anniversaries were the magazine GRANMA INTERNATIONAL and Cuban Television. (Havana TeleRebelde and Cubavision Network in Spanish 0100 GMT 20 Mar 96)

Sugar Industry Minister Nelson Torres said in Holguin, while visiting the province's sugar plantations, that the strategy to be followed as of now will be to take advantage of current favorable weather, as well as to use each sugar mill's cutting and grinding capabilities in an efficient and productive manner to overcome the delays and setbacks caused by last week's poor weather. According to the minister, efficiency is the main ingredient that will decide Holguin's commitment to recovering the 20,000 tonnes not produced because

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of last week's heavy rains that interrupted harvest operations. (Havana Radio Rebelde Network in Spanish 1800 GMT 20 Mar 96)

Sugar Minister Nelson Torres said during a tour to several Sancti Spiritus sugar mills that the restarting of grinding operations at the country's largest sugar mill is a major indication of the recovery of this industry. During the tour, the minister pointed out that the harvest is proceeding favorably and that the objective of producing 1.2 million tonnes more than the previous harvest will be met. (Havana PRENSA LATINA in Spanish 2024 GMT 20 Mar 96)

Esteban Lazo, member of the PCC Central Committee, said during the Cuban Workers Confederation, CTC, provincial meeting that took place on 20 March in Havana that 1996 will be a decisive year for Cuba. He also added that every workers collective should seek discipline, not only within factories and industries, but also in everyday community life. (Havana Radio Rebelde in Spanish 1800 GMT 21 Mar 96)

Cuba: Roundup of Sugarcane Developments Through 24 Mar

PA2503014996

[FBIS Report] The following is a compilation of reports on sugarcane and sugar industry developments in Cuba monitored through 24 March.

A group of some 100 political leaders, administration sector officials, and members of mass organizations have joined the sugarcane harvest efforts in Guantanamo Province at a time in which the harvest is facing serious problems in meeting its production goals. Rider Diaz Leyva, first secretary of the PCC Provincial Committee in Guantanamo, said the assistance is not only productive but also moral because now, when it is necessary for the cane to be cut on time, productivity per man is dropping. Diaz said grinding levels have dropped and industrial efficiency has not reached expected levels. Diaz Leyva said over 63 percent of the production plan in Guantanamo has been reached, but if the current negative production trend continues the plan is in danger, a risk we cannot take, he said. (Havana Radio Rebelde Network in Spanish 1800 GMT 21 Mar 96)

Sancti Spiritus Province has exceeded its sugar production plan by 14,000 tons to date. The province now intends to surpass the previous harvest by 40 percent. The province was able to reach last year's goals two months earlier. (Havana Cubavision Network in Spanish 0100 GMT 22 Mar 96)

Haiti

Haiti: Preval Says Privatization 'Best Solution'

PA2303190496 Port-au-Prince Signal FM Radio in Creole 1230 GMT 21 Mar 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Excerpt] Today, Presidents Rene Preval and Bill Clinton will meet during the second day of the Haitian president's visit to Washington. Preval will have a working meeting with President Clinton, Vice-President Al Gore, and members of the Haitian Government; he will also meet privately with Congressman Joseph P. Kennedy II. He will visit the Voice of America, and will also hold a joint press conference with President Clinton. They will have a reception at the White House. The two presidents will talk about several issues regarding relations between the United States and Haiti, notably strengthening of relations. [passage omitted]

The privatization issue was raised again, and the Haitian president renewed yesterday in Washington the determination of his administration to privatize several state-owned enterprises in Haiti. Rene Preval has set the end of June as the deadline for concluding negotiations with international sponsors, and has said it is necessary for thorough reforms to be made in the public administration here.

The Haitian president spoke with U.S. Secretary of Defense William Perry, U.S. AID Administrator Brian Atwood, and U.S. Secretary of Agriculture Dan Glickman during his first work day yesterday.

During a meeting last night with the Haitian community at the Haitian Embassy in Washington, Rene Preval stated that the privatization of state-owned enterprises is the best solution to save Haiti. He recalled that the budget deficit for this fiscal year is U.S. $167 million. The situation could get worse, according to Preval, if important economic measures are not adopted very quickly. Let us listen to the details from our special envoy to Washington Jean-Pierre Leroy.

[Begin recording] [Leroy, in French] Privatization is the country's best solution, Haitian President Rene Preval stated last night at the Haitian Embassy in Washington. He took the opportunity to tell the Haitian community in Washington that privatization was the unique and best solution to save the country. Let us listen to Rene Preval in Washington.

[Preval] The Haitian state has a deficit of U.S. $167 million this fiscal year. If we continue like that, by the end of the year we will have a deficit of U.S. $350

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million. We must take measures so we can negotiate with the sponsors. I do not believe the sponsors have any reason to burden or to destroy us. No. But we must make progress, so that they are sure that next year we will not ask them to finance Electricity of Haiti again. [passage omitted] Privatization has a bad reputation in the press. As for me, I will explain it wherever I go, and I will endorse it because I believe it is good for the Haitian people. [applause]

[Leroy, in French] Agriculture Minister Gerard Mathurin, who was also at this reception, reported on his meeting with U.S. Secretary of Agriculture Dan Glickman. [passage omitted] [end recording]

Haiti: Preval Urges 'Rapid Progress' on Privatization

PA2303193296 Port-au-Prince Signal FM Radio in French 1130 GMT 22 Mar 96

[From "The Waking Up Newscast"]

[FBIS Translated Excerpt] The main news is the tour of President Preval. The Haitian head of state had a work session on 21 March with President Bill Clinton, who has promised his help for reinforcement of democracy and the Haitian economy. President Clinton encouraged the Haitian head of state to make economic reforms. [passage omitted]

These were the statements by the U.S. President. I want the Haitians to do all that is necessary so they can obtain as soon as possible the support of international financial institutions, the U.S. President stated. It is Mr. Preval's first visit to the United States since he succeeded President Jean-Bertrand Aristide on 7 February.

Besides the privatization of the economy, Mr. Clinton also intended to help President Preval increase his efforts to solve about 20 political murders committed in Haiti after the restoration of President Aristide. This visit by Mr. Preval occurs a few days after the departure from Haiti of the most important part of the U.S. contingent of the UN Mission in Haiti. Therefore, the U.S. President wished to obtain assurances from Mr. Preval in the two key fields of privatization, and made inquiries on efforts where there was not the slightest progress at the time of Mr. Aristide.

President Preval told the press yesterday before his arrival at the White House that he wanted to make rapid progress with privatization, as he intends to close the file by mid May so it can be presented to international institutions between now and the end of June. The first two privatized companies, he said, will be a cement factory and a flour mill. The realization of this privatization program will allow the payment of U.S. aid of $4.6 million that was blocked by the Congress, and about $100 million from the World Bank. By the way, the President was due to meet with the officials of the World Bank. At the same time, the Republican majority of Congress has blocked about $8 million intended to finance humanitarian projects to protest the fact that none of the political murders committed in Haiti last year was solved. The task is difficult as our judicial system is tainted, and our police are young and inexperienced, commented President Preval, who recalled, in the presence of President Bill Clinton, that democracy does not come without economic progress, and that he relies on the aid of his friends.

[Begin Preval recording] I would like to take advantage of this opportunity that is offered to me to thank the American people and, especially, President Clinton, for the role played by the United States in the restoration of democracy in Haiti. But democracy does not come without economic progress. [Words indistinct] in view of the economic challenges that we must take up, it will not be easy, but with the help of the friendly countries who helped us to restore democracy, we think that we are going [words indistinct] as well. [end recording]

Preval's tour in Washington has already had positive consequences. The Americans have decided to release the last part of $4.6 million in aid that had been frozen by the congressmen who required the opening of serious inquiries on the political assassinations committed during 1994-95. This decision was reached after Preval met with Clinton and the congressmen. The Haitian president has formally promised to continue the inquiries opened on the assassinations committed during 1994-95.

[Begin Preval recording] Our conversations essentially turned on the reinforcement of the economy today. The effects are already there as we debated problems of common concern and, if you want to talk about immediate effects, I will tell you that the $4.6 million have been released for Haiti. [end recording]

[Begin unidentified journalist recording] [question indistinct] [end recording]

[Begin Preval recording] We met members of the Senate, the Congress, and the Executive, and we clearly explained our willingness in the interest of Haitian justice and of Haitian democracy to move forward with all investigations. [end recording]

These statements were pickr' up by our special envoy to Washington, Jean-Pierre Leroy.

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Haiti: Radio on 'Negative Reactions' to Privatization

PA2303195496 Port-au-Prince Radio Metropole in French 1700 GMT 22 Mar 96

[From "The Midday Newscast"]

[FBIS Translated Excerpt] A wave of refusal seems to be taking shape in Port-au-Prince against the plan to privatize state-owned enterprises announced by President Preval during his trip to the United States. Numerous negative reactions were recorded following the statements of the Haitian president in Washington. Political and union organizations are opposed to the plan, and the fight will apparently be hard for the Haitian president who intends to act quickly. He said it again yesterday in Washington. Let us listen to more explanations with Clarens Renois.

[Begin recording] [Renois] The process of privatizing the Haitian state-owned enterprises has been relaunched in the United States. The Haitian president, who ends his official visit today to the United States, said yesterday that he intended to progress quickly, very quickly, with privatization. Preval has given himself a deadline of three months by suggesting that negotiations start next 15 April. No stalling tactics, no more running away. Preval wishes the negotiations to end on 15 May so he can present the plan around the end of June to international institutions. The head of state, who has shown much determination, already designated the first two enterprises through which the privatization process should go: Cement of Haiti and the Haiti Flour Mill. We are convinced that private individuals are better managers than the government, the Haitian president stated on the Voice of America. [passage omitted]

Rene Preval has nevertheless acknowledged that the concept of privatization will be difficult to sell in Haiti, but he pointed out that the consolidation of democracy in the country is linked with necessary economic progress. In fact, beyond privatization, the Haitian president showed himself determined to undertake important reforms in other structures of the Haitian economy in order to enjoy aid of $100 million from the World Bank. Already, following his meeting with the President of the United States, the Haitian president is assured that he will receive more than $4 million from the U.S. administration. [passage omitted]

But this is not all. There is opposition waiting for the Haitian president on his return to Port-au-Prince. PAPDHA [expansion unknown], a platform of peasant and socio-professional organizations, has issued a warning and has accused President Preval of making himself the advocate of the privatization program of the international institutions.

For its part, the Mobilization Group Against IMF, has called on the employees of state-owned enterprises and the people to mobilize against the privatization policy.

Gathered in congress last week in Port-au-Prince, unionists demanded a real national debate on this question and asked the president to review his plan.

[Unidentified unionist, in Creole] As for us, we believe at this time that it is not yet too late for President Preval to realize that he is wrong, all the more so — by the way — since Haiti does not meet the conditions to enter into the world market they want it to do.

[Renois] In the political parties, the reactions are no less obvious. The Convention for Democratic Unity has announced through his secretary general a national mobilization to thwart the neo-liberal plan of the great powers. Former Port-au-Prince Mayor Evans Paul uses rather nationalistic language: Haiti is a land of resistance to privatization. [passage omitted]

The National Congress of Democratic Movements makes more moderate comments. Its secretary general Victor Benoit asks for further information on the government's plan while explaining that he is a socio-democrat but not a neo-liberal. [passage omitted]

All this shows that President Preval will have to face strong resistance to privatization, and the question right now is if the new president, who does not enjoy the popularity of his predecessor, will be able to do so. Aware of the consequences on employment, Rene Preval seems to count on the United States and the rest of the international community to help him cushion the social cost of the economic reforms. [end recording]

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Mexico: Zedillo Attends Signing of Agreements in Chiapas

PA2403025596 Mexico City XEW Television Network in Spanish 0400 GMT 20 Mar 96

[Report by Gabriela Resendez; from the "24 Hours" newscast — passages within quotation marks recorded]

[FBIS Translated Text] President Ernesto Zedillo today pledged to continue working for reconciliation with dignity and justice in Chiapas. He witnessed the signing of 11 agrarian agreements reached for Chiapas State.

[Zedillo] "We have agreed to definitely settle the land dispute."

In the presence of various secretaries, the governor of Chiapas, and peasants from 69 organizations, Zedillo explained the following at the National Palace reception hall:

[Zedillo] "These agreements include 2,040 agrarian issues, and they precisely define the solution of these issues. They establish the timetables and persons in charge of the approved actions to guarantee full compliance with these agreements; 69 peasant organizations and 42 individual groups signed the agreements that provide financial support, so approximately 58,000 peasants may purchase land."

He pledged that his government will punctually comply with the agreements, without privileges or discrimination, adding that the signatories' dignity will prevail.

Chiapas Governor Julio Cesar Ruiz Ferro publicly stated the Chiapas peasants' pledge not to invade more land and to vacate that which cannot be purchased. Peasant representatives Alejandro Garcia Ruiz, Mario Landero, Hernan Villatoro, and Antonio Mendez also spoke during the ceremony. Upon the conclusion of the ceremony, the president greeted and talked with each of the peasants and invited them to eat on one of the National Palace's terraces.

In a subsequent interview, Agrarian Reform Secretary Arturo Warman talked about the 11 agreements reached by the federal and state governments with producers and peasants in Chiapas State.

[Warman] "The peasants can be given financing to purchase land with the provision that they make it produce and turn it into part of their patrimony rather than sell it. This issue was particularly complex because there is an enormous social and political diversity in Chiapas. The organizations represent the whole scope of ideological positions."

The government, producers, and peasants studied the 2,040 agrarian problems registered in Chiapas State and pledged to definitely solve each one.

[Warman] "This has particular significance, both from an historic perspective and from the perspective of the conflict faced in 1994. The agrarian situation reached very serious levels of conflict and confrontation. At some point, more than 1,000 properties had been invaded."

Warman said the agreements will be fully implemented in the coming three months.

[Warman] "Each family in Chiapas will be able to acquire up to five hectares. "

[Resendez] "How much is the federal government paying, how much will it pay or how much did it pay to resolve the problem of agrarian backwardness in Chiapas?"

[Warman] "Under the current conditions of restriction, President Zedillo gave us instructions to work out a financial arrangement so that we could make payments over a certain period of time rather than an immediate payment. This was an excellent solution as we did not have available resources. We will not know for certain the total amount until we conclude the negotiations. However, thus far, we have concluded approximately a third of the negotiations with a financial investment of approximately 300 million pesos to be paid over time."

The 69 peasant organizations that signed the agreements represent the total number of these organizations in Chiapas.

Mexico: Zedillo Rejects Forgiving Overdue Loans

PA2303042296 Mexico City LA JORNADA in Spanish 21 Mar 96

[Report by Jose Antonio Roman — received via Internet]

[FBIS Translated Text] In view of the serious problem of the portfolio of overdue loans, the government cannot "begin from scratch," since that would mean the implementation of a "confiscatory, arbitrary, and abusive policy" that would undermine the state of law, and society would reject it, President Ernesto Zedillo has said here.

The money that private and government banks loaned to debtors does not come from nor does it belong to the government, and for that reason it cannot manage it arbitrarily, he affirmed before the representatives of the state's peasant and farm organizations, who asked

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the executive to intervene in the problem of overdue portfolios and insufficient loans.

During this ceremony, held in the experimental agricultural field of the state's vegetable sanitation committee, in Santo Domingo Valley, Zedillo also justified the recent increase in agricultural and livestock products. "Following the devaluation, we had to allow an orderly but significant adjustment in the prices of Mexican produce if we did not want this sector to become one of the corpses of the crisis."

In his improvised speech he criticized that for many years, under the legitimate but often incomplete argument that the inflation had to be controlled at all costs, there was a check, a curb, a deliberate control on the price of produce that led to stagnant production. "Ultimately, this decision from the past taught us that the most expensive product is the one that is not found at the table, the store, or the market."

For that reason, he added, the "new priority of the federal government will be to encourage production." He noted that last year was the first of many in which the terms of exchange in the countryside have improved. That means that the prices for its products have risen more than the prices of the economy.

"This, of course, has had consequences for city consumers with regard to the inflation and public finances, because we are funneling subsidies to feed the people that have reached amounts without precedent in our history. However, we could not under any circumstance allow more time to elapse, or let more years elapse before starting to take corrective steps in the prices and also the profitability of the countryside," the president remarked.

During the meeting, attended by the secretaries of agriculture, social development, and the environment, and the Baja California Sur governor, the president said that the problem of overdue loans "is not easy" to resolve, and that he was certain that society as a whole would reject the implementation of the confiscatory policy of starting "from scratch."

Zedillo said the government has made a huge effort to improve its financial situation. He said that in 1995, amid all the economic hardships experienced in the country, the federal government made the "firm decision" to generate resources by saving in all public expenditure areas, with which "the government could have done a great deal in terms of public works, aimed at feeding the people, building thousands of schools, among other things."

Zedillo pointed out, however, that in view of the seriousness of the situation, the government made the decision to allocate these resources for the programs aimed at assisting bank debtors. "I do agree that even though these solutions have eased the problem to a certain extent, they have been insufficient due to the existing situation, due to the persistence of high interest rates.

In this regard, he ratified his commitment to continue working and to do "everything necessary" to permanently and significantly reduce interest rates. Zedillo also said that "as financial margins begin to open up, we will be willing to continue adopting solutions to ease the burden on debtors," because we do not want bankrupt companies and more layoffs.

Zedillo said, "That is why we will continue to take care of these important problems, without demagoguery, without playing tricks, without being populists, and with absolute responsibility."

At the conclusion of the event, the president handed out the first contribution of the Alliance for the Countryside Program, as well as the federal's and state's contribution by way of the Fertilization and Irrigation Program and by way of the Program of Direct Support to the Countryside for the 1995-96 Fall-Winter Cycle.

During his tour, which included three cities in this state, the president implemented the 1995-2000 Environment Program in Loreto. Later on, he flew to Ciudad Constitucion on board the Air Force's Hercules plane accompanied by his retinue and members of the media. In addition to holding an event with farmers in Ciudad Constitucion, the president inaugurated the textile maquiladora [assembly plant], Industrial California Connection de Mexico, which will in the medium-term become the largest employer in Comundu Municipality by providing 3,000 jobs.

Outside the maquiladora, about 50 National Action Party [PAN] supporters carrying banners demanded "electoral justice" for Comundu Municipality, where the State Electoral Tribunal had "seized" victory from them in the recent local elections. The president, sitting on a bench, briefly heard the state's PAN leader, who urged him to push the electoral reforms to prevent situations like these from being repeated in the country.

In the afternoon, in the city of La Paz, the president headed the ceremony, "Economic Recovery for the Well-being of Baja California Sur," in which he signed along with Governor Guillermo Mercado the 1996 Social Development Agreement, which allocates federal resources for over 100 million pesos.

These resources will primarily be used to take care of urgent needs in the areas of health, drinking water,

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urban services, farm roads and infrastructure, in which municipalities will have a special participation.

Mexico: CRE Sets Rules for National, Foreign Investors

PA2303233996 Mexico City EL FINANCIERO in Spanish 20 Mar 96 p 10

[Report by Georgina Tristan]

[FBIS Translated Text] The new natural gas market in Mexico — which includes the distribution, transportation, and storage of natural gas and which will have an estimated investment of $5 billion in the next five years — starting today will have adequate rules to allow the participation of national and foreign capitalists.

Foreign capitalists will be allowed to acquire 100 percent participation in projects, except in the building of gas ducts, in which their participation will be limited to 49 percent.

The Energy Regulating Commission (CRE) today published in the *Official Diary* the Directive on Prices and Rates that will regulate the gas market. The regulations will offer flexibility to participants and will not impose unnecessary charges on companies whose activities are regulated, CRE President Hector Olea said today.

The regulations are intended to promote the development of an efficient, safe, and dependable natural gas transportation and distribution system, and;

— To provide access to transportation, storage, and distribution at adequate prices and rates to industrial, commercial, and private consumers, and to promote competition and free access to the industry's services.

— To allow efficient operators to make fair profits on their assets and prevent double subsidies on services offered by regulated companies.

Pemex [Mexican Petroleum], the only gas supplier in the country's new market, will charge a maximum price that will fluctuate according to the conditions of the market in southern Texas, according to Houston Ship Channel rates. The purpose of this measure is to duplicate the conditions of a competitive market in Mexico. It also assures Pemex the same treatment as any other participant in the transportation of gas.

Within the next four months, Pemex will request permission to transport natural gas.

Within the new regulatory framework, permits will be issued to companies that have met the necessary fixed technical requirements, such as quality and security norms, and which offer the lowest rates.

Permits will be granted to companies that are specialized in each area (distribution, transportation, and storage), although the possibility of associations to offer two services could be evaluated. CRE will see that the participants are solvent, serious, and have experience in the business.

CRE President Olea said that the government would not guarantee the possible investors; however, through the CRE, the government will sanction and verify that the projects are proceeding according to the business plan. Permits may be transferred between persons.

Olea pointed out that the permits will include a certificate of public utility (right of way), so that there will not be any problem on lands where the proposed projects pass, in the case of private property. Governments favor these kinds of projects on federal, state, or municipal lands. Therefore, there will be practically no problems regarding the right of way.

The price and rates directive regulates six separate activities in the natural gas sector: direct sales; transportation, storage, and distribution services; the purchasing, transportation and storing of gas contracted by distributors to provide distribution and commercialization services; and connecting consumers to the transportation systems and providing them with gas meters.

CRE will establish a maximum limit on natural gas transportation and distribution rates according to a method regulated by incentives. The methodology to determine transportation and distribution rates will allow for annual adjustments for inflation and for an efficiency factor reflecting the increase in productivity in the sector.

The maximum purchasing price will determine the maximum average price that distributors may recover for gas purchasing, transportation, and storage to provide the distribution and commercialization service.

Mexico: Court Says Army May Aid With Public Security

PA2303172996 Mexico City Radio Red Network in Spanish 0000 GMT 20 Mar 96

[Report by Edgar Munoz; from "The Night Monitor" newscast]

[FBIS Translated Text] [Anchor Martin Espinoza] There are reports saying that the role of the Mexican Army during times of peace may be revised. In other words, what would happen if there were a proposal made by the authorities, or by each one of the municipalities to get the Army to join the fight against crime as is happening in other Central American countries?

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This time it was the Supreme Court, which said there is no restriction on the country's Armed Forces to participate in civilian actions, especially those related to public security. We have a report by Edgar Munoz. Edgar, good afternoon.

[Munoz] Good afternoon. It is the second time we hear the 11 justices, who make up the Supreme Court, saying the Armed Forces, meaning the Army, the Air Force, and the Navy, may intervene in public security matters as long as civilian authorities, even the government itself, request it. I say it is the second time because a few weeks ago these same 11 justices rejected an unconstitutionality lawsuit filed by deputies, especially by opposition deputies, who opposed the participation of the Mexican Army, Air Force, and Navy in the National Public Security Council installed a few days ago, deeming it a risk for individual citizens' rights.

The Supreme Court justices said that to curb and prevent criminal actions from taking place in the country, which are on the rise, the public security forces may now seek the support of the Armed Forces. This is now constitutional.

According to the ruling, the military forces may not only take action in times of war or in times of serious disorder that could threaten society, as established in our Constitution, but they may now participate in public security actions.

Finally, we must note that the justices established that all of these actions in which the Armed Forces may possibly participate, must be carried out with respect for the rights and individual guarantees of citizens. That is the report.

[Espinoza] Thank you Edgar. Last night the National Defense Commission of the Chamber of Deputies issued a communique pointing out that one of the articles of the Constitution would be revised. It is the article that contains the specific duties of the Mexican Army in times of peace. (Luis Garcias Magana), who is the president of this commission, said that they would go over and, if necessary, modify certain articles to adapt them to the reality we are living, the insecurity and growing wave of crime and kidnappings, which Mexicans are suffering.

Mexico: PRI President Endorses Party Transition

PA2503013696 Mexico City NOTIMEX in Spanish 0143 GMT 22 Mar 96

[FBIS Translated Text] Mexico City, 21 Mar (NOTIMEX) — Santiago Onate Laborde, president of the ruling Institutional Revolutionary Party (PRI) of Mexico, today voiced his desire to be, along with members of this political organization, "the forger of our own party." On the eve of the meeting by the PRI National Political Council that will be held on 23 March, when we mark the second anniversary of the assassination of PRI presidential candidate Luis Donaldo Colosio, Onate set a goal of 150 days to change this party.

At a joint interview with NOTIMEX and Mexican daily EL NACIONAL, the leader of the ruling party asked himself if we are really witnessing the end of a system or the end of the PRI. He immediately responded that "this is an issue of transition, not of objectives; socially and politically speaking, I do not know anything that ends suddenly."

In light of this situation, he insisted that "I want to live through the transition," even though, he pointed out, there are people who want the see the party from the outside and as a dead party; they even make bets on the date it will end. "We have already been regarded as dead on several occasions," and nevertheless, "we live," the PRI leader said in a long conversation.

The PRI reform will be authentically democratic, and its active members want to lead this change. To do this, a first draft, which will be ready in two weeks, is being prepared. The document, Onate added, will come from the rank and file and will be submitted to the PRI assembly.

He is confident that the next Political Council meeting will have the authorization to start a decisive part of the PRI reform. On 23 March, he will request the approval of a mechanism to move forward, and will propose that the document be submitted to the consideration of the assembly in no more than 150 days.

Onate, who is fully convinced, stressed that PRI members want to be the builders of their own party, and that the reform will be an authentic democratic exercise without foreign influence. He is certain, he asserted, that the PRI reform must place his party at the vanguard of domestic political reforms by defining its norms, and having a structure, and an organization that will allow it to proceed within this framework.

The PRI leader recognized that they do not have a party that meets the active members' expectations, adding that "they do not have new structures to make politics. This is the opportunity to define our position as a party, not between the ieft and right, but as a powerful party, or as a people's power, or as a party tied to the people," he added.

Onate insisted on the need to reform his party, "because the PRI recently has been closer to its power than to the people."

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As for the state reform, on the negotiating table among the parties that are represented in Congress, he pointed out that the political changes will not stop, and emphasized that the electoral reform has reached its critical point, and urgently demands the participation of all political forces. "We are also thinking about a system that demands a reform of the media, a profound reform of the media, as profound a reform as that of the party; then, this is where we are," he maintained.

He added that another aspect that must be included in the political reform "is the need to elevate the referendum to the constitutional level in order to confer on such issues as those that are being discussed, issues in which political parties have a bearing."

In his long conversation with NOTIMEX, Onate explained that the critical dates are set, because Congress is holding its regular sessions, and because time is running out for preparations for the 1997 federal elections. As he is convinced that reform is inevitable, the PRI leader recognized that the excellent prospects for political reform of the state, which includes electoral aspects, were not as quick as one wanted them to be. For several reasons, he went on, the opposing Party of the Democratic Revolution (PRD) and National Action Party (PAN) delayed the process.

However, Onate asserted the following: "I do not lose hope and am optimistic about soon being able to reach an inter-party agreement that will make possible a shared initiative in which the political party currently absent from the negotiations will participate. This will compel us to have the constitutional part of this reform ready within the next 10 days," he emphasized.

"I see it as a big" and difficult challenge, but it is not impossible; "if this agreement is reached, we will have to quickly determine what we can do, because definite electoral reform is, in our opinion, very significant for society," he said.

The PRI president recalled that, "for the first time in many years, we were engaging in electoral reform without a background of a questionable (electoral) process" and explained that the negotiations were delayed due to private interests.

In light of a reality he does not attempt to hide, he also recognized that reform is a process that has shortcomings, but he said that they require only simple electoral adjustments to pave the way to major state reform. He pointed out that, contrary to previous occasions in which this harmonious atmosphere among parties to find new answers was lost, this time reform will be promoted not only by the parties, but by society itself.

Recognizing reality, Onate said that, in the negotiation process, "we again resorted to local demands, which delay the conclusion of reform."

The PRI took a significant step to advance reform: It showed its willingness to proceed, which is an evident, extraordinary, and valuable effort made during its national meeting held in Oaxtepec, Morelos State, where the party redefined its position and its desire to advance.

As for the PRI's relations with other parties, he explained that it has had to evolve throughout the years; these relations are no longer defined by confrontation with other parties. Now, he went on, the PRI is just another party among parties, seeking the forging of common mechanisms.

This practice, he recognized, is not easy for all parts of the PRI or at all times, because of previous offenses and practices, and because there is an environment planning to seek a suspension, rather than an overcoming, of conflicts in the political struggle. [sentence as received]

In the process of change and the country's new political reality, Onate pointed out that the PRI is in a phase of political recovery, following ups and downs that led to the loss of significant opportunities last year. In this process, he added, there is a constituency that must not be disqualified; it is a constituency that sprang from the assassination of Colosio on 23 March 1994 in the northern Mexican city of Tijuana, and from the fact that the case has not been solved.

Mexico: Post-Election 'Conflict' of PAN, PRI Viewed

PA2503032796 Mexico City Radio Red Network in Spanish 0000 GMT 22 Mar 96

[Report by Luis Pabon; from "The Night Monitor" newscast]

[FBIS Translated Text] [Anchor Martin Espinoza] There is tension in Puebla because of a post-election conflict between the National Action Party [PAN] and the Institutional Revolutionary Party [PRI]. There have been clashes in the last few hours. In fact, the mayor of Huejotzingo Municipality, the elections of which the PAN claims to have won recently, was abducted, but he was released a short time ago. We have a report by Luis Pabon. He has all the information from Puebla. Good afternoon, Luis.

[Pabon] Good afternoon. We want to report that calm is returning to Huejotzingo little by little following the clash that took place between PAN and PRI followers at noon today. As a result of the clashes, a 46-year

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old woman, Maria Morales, was stabbed. The incidents took place just when a civic event was being held at the Maximino Avila Camacho High School, which was attended by Mayor Miguel Angel Martinez Escobar. A group of approximately 100 supporters of the PAN arrived at the site and kidnapped PRI Mayor Martinez Escobar. The PAN supporters were unhappy because the State Electoral Tribunal stripped the PAN of its victory in the 12 November elections and gave it to the PRI. Amid the exchange of sticks and stones, a man called (Horacio Teifier Damian), a supporter of PRI Mayor Martinez Escobar, showed up with a gun. Let us listen to Ana Teresa Aranda, a PAN leader in the state of Puebla.

[Begin Aranda recording] We were all unarmed. We were walking peacefully, singing and dancing to the band's music. Just when we were passing in front of the Maximino Avila Camacho High School, female followers of the PRI, headed by Martinez Escobar's sister, started to attack our women. Martinez Escobar's sister is Consuelo Martinez Escobar. She was identified by our fellow party members. They started hitting us and one of them called [words indistinct] Castellanos pulled out a sharp instrument. The doctor here says it was a pair of scissors. She injured our fellow party member, Maria Morales. We also want to say that (Horacio Teifier Damian), a well-known PRI follower in this municipality, also pulled out a revolver and fired at the float carrying children. Fortunately, none of the children were injured. [end recording]

This clash, Martin, took place following the spring festivals in which PAN supporters sang and danced to the tune the band was playing called: How Beautiful is Puebla.

Tempers flared. There was even a threat of violence against a local television reporter. The state government of Puebla said it has been tolerant, and will no longer allow political groups to continue undermining social stability. The PAN asked all of its supporters to remain calm and called on Governor Manuel Bartlett Diaz to change his arrogant attitude.

Finally, about an hour ago, the mayor of Huejotzingo, Miguel Angel Martinez Escobar, said in a news conference, there is no need for police presence because he hopes to reach a solution through dialogue. He asked the PAN leader to abandon her aggressive attitude, and said it will be the Huejotzingo Municipal Council that will determine if criminal charges will be filed because of his abduction.

[Espinoza] Luis, have the groups gone home and is calm returning to Huejotzingo little by little?

[Pabon] Yes. Tension is easing little by little. The PAN followers were still at the Huejotzingo main square until an hour ago; however, according to the latest reports, they have started to leave the area because their party leadership has asked them to do so.

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Guatemala

Guatemala: Arzu on URNG Decision To Suspend Operations

PA2303044296 Guatemala City Trecevision in Spanish 0100 GMT 21 Mar 96

[FBIS Translated Text] Gustavo Porras, president of the Guatemalan Government's Peace Commission [Copaz], has read a government communique on a decision made by the command of the URNG [Guatemalan National Revolutionary Unity]. An important part of the communique was President Alvaro Arzu's decision to reciprocate the URNG's initiative by ordering the military forces to remain in their respective command posts.

[Begin recording] [Porras] The Guatemalan Government expresses to the national and international community its satisfaction over the decision of the URNG General Command to temporarily suspend offensive military operations, attacks on garrisons, detachments, and military installations, and deployment of troops to the highways.

On its part, the president of the Republic has issued instructions to the Guatemalan Army, in reciprocity, to suspend operations against insurgents and to carry out only the activities that the Constitution orders.

The Guatemalan Government believes that this reaffirms the mutual trust that exists between the parties and that this is characteristic of the current phase of the negotiations and reaffirms its commitment to achieve as soon as possible a political negotiated solution to the domestic armed confrontation that would in turn strengthen chances to achieve a firm and lasting peace. This was the communique's text. I am ready to answer your questions.

[Unidentified reporter] [Words indistinct]

[Porras] It is the first step to accelerate the peace process. I think this is a result of previous steps that led to a decision of this nature. As they stated in a pronouncement, it reflects the mutual trust that has developed between the parties, and is the product of a policy that started prior to the second electoral round that involved what we called informal conversations, and that continued later with the first formal meeting between Copaz and the URNG Command. We are now awaiting a second meeting. [end recording]

Nicaragua

Nicaragua: Businessmen on Visit by U.S. Commerce Secretary

PA2303201296 Managua Sistema Nacional de Television Network in Spanish 0200 GMT 22 Mar 96

[From the "National Newscast"]

[FBIS Translated Text] Tomorrow's arrival of U.S. Commerce Secretary Ron Brown has generated a great deal of expectation in the private sector. He will preside over the forum on commerce and investment between Central America and the United States, which will be attended by approximately 200 Nicaraguan, Central American, and U.S. businessmen.

[Begin recording] [Hugo Paguada, director of the Exports and Investments Center] We in our center have put great effort, emphasis, and money into making this first forum on commerce and investment a success. We believe that the participation of over 50 U.S. businessmen and investors can benefit the region and, Nicaragua, in particular, considering this country offers great opportunities for investment, and the first forum will be held in Nicaragua.

[Martin Barsenas, Nicaraguan Chamber of Commerce president] Brown's visit is of the utmost importance for Nicaragua, as it once again brings us to the fore of the international scene, since this is the most economically prosperous and most developed country at the Central American level. It is the last country to be in need of foreign investment [as heard], and so we are greatly interested in tomorrow's participation of approximately 300 regional and U.S. businessmen. It is very important for private enterprise and the development of Nicaragua. [end recording]

National investors will ask that this kind of forum be held every year to follow up the policies comprising the regional development strategy.

Nicaragua: IMF, World Bank To Study Easing Foreign Debt

PA2203121996 Managua Sistema Nacional de Television Network in Spanish 0100 GMT 19 Mar 96

[From the "National Newscast]

[FBIS Translated Text] For the first time in the country's history, international financial organizations, the World Bank and the IMF, are studying the possibility of easing the foreign debt of six countries and one of them is Nicaragua.

[Begin Foreign Cooperation Minister Erwin Kruger recording] We have been informed that the World Bank

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administration presented an initiative last Friday — this information is still unconfirmed — to the board, the initiative has to be approved by the board, to create a mechanism to ease the service to the foreign debt of six countries in the world. We understand that Nicaragua is the country heading the list. This is important because, as I have stated, it is the first time in 50 years that those institutions take an initiative of this sort. It is especially important because Nicaragua is on that list. [end recording]

The IMF and World Bank have responded to the Nicaraguan Government's announcement in January, that it would not be able to continue paying its foreign debt.

[Begin Kruger recording] We hereby call all the countries in the international community, especially the countries that are members of the World Bank's board, to approve this motion. I believe this is a recognition of the efforts made by the government of Dona Violeta Barrios de Chamorro, the work done to reduce the debt, the country's tremendous success [words indistinct] and to deliver a country without mortgages at the end of her administration. [end recording]

Friendly governments reported this afternoon that they would back the institutions' motion to approve the measure for Nicaragua. Several political personalities received this announcement with optimism.

[Begin Conservative Deputy Fernando Zelayo recording] I believe our unemployment rates, economic difficulties, and manifest poverty have prompted the proposal. This government, despite all its efforts, cannot continue with such a harsh economic situation. It must have a breather. The current government has managed to achieve stability and order to a point. However, the harshness with which the financial institutions have treated us during the past four years, have not allowed the government to do much. This is the situation. [end recording]

The measure seems to be serious although details are still not known. A last-minute report states that the IMF has decided to discuss a mechanism to help alleviate Nicaragua's foreign debt next Wednesday.

Nicaragua: More Resources Needed To Combat Crime in North

PA2403012196 Managua Radio Sandino in Spanish 1200 GMT 19 Mar 96

[From the "What's Happening?" newscast]

[FBIS Translated Text] Lieutenant Colonel Cesar Delgadillo, who is the operations commander of the Army's 6th Region, gave the following report on the initial agreement that has been reached with the chief of the criminal bands that kidnap, murder, and rape peasants in the northern part of the country.

[Begin recording] [Delgadillo] We will respect the groups that are in the process of furthering a dialogue. The Army will not fight them if they promise not to hurt the population. The Army will fight any group that hurts or attacks the population, whether they are in the X or Y group. We will take action against them, regardless of what they are called and who and where they are.

[Reporter] In [word indistinct] they say the Army has its arms tied and that that is why so many criminal and armed groups have proliferated. Is this true?

[Delgadillo] We do not have our hands tied. We have had some difficulties in obtaining resources. Military operations are expensive, more so the ones deep in the mountains. The expenditures for helicopters, fuel, boots, and cold rations increase considerably there. The Army's expenses are not the same on the bases as they are in the mountains. Operations are expensive. Intelligence work is also expensive. Resources have to be invested. [words indistinct] more than 130 casualties to the groups [words indistinct]. There are approximately 500 armed [words indistinct], and we have inflicted 120 effective casualties; this means fatalities [words indistinct]. We have also suffered casualties; 18 of our men have been killed, including the officers I mentioned previously.

[Reporter] Are there areas that the Army does not control? According to the Supreme Electoral Council, it cannot issue personal identification cards and register residents in 26 municipalities. Will the Army guarantee that those people will be registered so they can vote?

[Delgadillo] We guarantee the identification and registration process in those 26 municipalities and that the people will be able to vote. It is not that the Army does not have control over those areas. We control all national territory. What happens is that it is very difficult to operate in San Andres de Bocay, where the criminal groups are attacking and murdering the Miskito Indians. We must have resources to further such operations. We have already met with the government, the security cabinet, to secure the necessary resources to advance our actions. We are currently awaiting a firm answer from the government.

[Reporter] How much do you need to be able guarantee this?

[Delgadillo] Well, the Army requested 20 million [currency not specified] at the end of last year. The requested 20 or 22 million covers the guarding of coffee crops,

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the electoral process, and will allow us to give security to the northern population. [end recording]

Panama

Panama: Government, Business Heads Oppose Helms-Burton Law

PA2303012796 Panama City Circuito RPC Television in Spanish 2300 GMT 22 Mar 96

[Report by Alexandra Ciniglio; from the "RPC Television News" newscast]

[FBIS Translated Text] Members of the opposition, businessmen, and the government have backed the president's criticisms of the Helms-Burton law.

Many were surprised by President Ernesto Perez Balladares' pronouncement, when in front of U.S. Commerce Secretary Ronald Brown and other U.S. visitors, he criticized the recently enacted Helms-Burton law.

[Begin Perez Balladares recording] We are talking about a legal instrument, the extraterritorial effects of which could hurt our economy and the commercial activities of a significant number of countries that are allies and friends of the United States. I believe it would be advisable to make corrections to this measure. [end recording]

The president's speech has apparently generated favorable reactions, even among his leading political opponents.

[Begin recording] [Former President Guillermo Endara] It is difficult for me to say it, but I totally agree with him. As for this law, I believe we should do exactly what the UK is doing and I will suggest this to the president and to the Legislative Assembly. There is a bill before the UK's parliament, which is currently being approved, which allows UK companies to disregard the Helms-Burton law.

[Former presidential candidate Ruben Dario Carles] I agree with them. As Panamanians, I believe that we should see to it, for example, that the Colon Free Zone continues to exist and continues to be successful.

[Businessman Tomas Paredes] I believe the president's opinion is in keeping with the interests of Panamanian businessmen, who are greatly concerned about the application and the intended extension of the Helms-Burton law. [end recording]

Latin American businessmen and economists believe the Helms-Burton law will cause irreversible damage to our countries' economies.

Panama: Banking Commission Orders Banaico Liquidation

PA2303022596 Panama City Circuito RPC Television in Spanish 2300 GMT 22 Mar 96

[Report by Luis Polo Roa; from the "RPC Television News" newscast]

[FBIS Translated Text] The National Banking Commission has ordered the liquidation of the Agro-Industrial and Commercial Bank of Panama, Inc. [Banaico].

The order was given after the government-appointed intervenor reported there was mismanagement of the bank's funds as well as other things, such as an irrecoverable portfolio exceeding the bank's capital. Since Banaico does not have the sufficient quick assets to reimburse all depositors and creditors, it was declared broke and insolvent, therefore the only alternative is to order the bank's dissolution and judicial liquidation and to cancel its license.

[Begin Carlos Alberto Vallarino, deputy planning and economic policy minister] We believe it is necessary to do this because the financial losses we found at the bank are estimated at $50 million according to the preliminary report that was drafted and you will see this in the communique. We found out it would be practically impossible for this bank to recover or be reorganized. [end recording]

According to the National Banking Commission, this was also motivated by the lack of other specific proposals that could save the bank. Depositors, however, believe this is not the best option to take because they are the ones who will be losing millions of dollars with the liquidation.

[Begin depositors representative Fernando Nunez recording] We, of course, have to review the figures they have given us so that we can be completely informed of what has happened, however, the losers are not only Banaico's depositors, but the banking center and Panama's image, where previous banking commissions were negligent in the handling of the responsibilities given to them. [end recording]

Because of the lack of seriousness in the handling of the banking funds, where it was even proven that there were fictitious deposits and loans besides the lack of documents for certain transactions, the National Banking Commission asked the Attorney General's Office to conduct a judicial investigation to determine the criminal responsibilities of the persons, who may have been involved in what could possibly be an embezzlement of $50 million of the bank's assets, which were supposed to be more than $120 million.

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Authorities are also studying the possibility of reforming the banking law to prevent these types of situations from occurring with other banks in the country.

Panama: U.S. Secretary Brown on Investment Potential

PA2303201896 Panama City EL PANAMA AMERICA in Spanish 22 Mar 96 p C1

[Report by Viodelda Barrias — quotations marks as published]

[FBIS Translated Text] U.S. Secretary of Commerce Ronald Brown yesterday referred to Panama's tremendous potential for foreign investors which will allow Panamanians to improve their standard of living.

Brown, who arrived in Panama after attending the ministers summit in Cartagena de Las Indias, Colombia, met with Panamanian and U.S. businessmen, high-ranking government officials, as well as the national and international press.

"I am impressed with Panama's economic potential," Brown pointed out during a news conference where he stressed that numerous U.S. companies are interested in investing and doing business in this country.

He highlighted that with the economic reforms currently being implemented, there is a positive climate that will allow concrete investments to come through, pointing out that "it is clear that diverse industries can establish in Panama," especially those specializing in assembly lines, tourism, and communications that tend to create numerous jobs.

Brown also visited the private container port of Manzanillo, located in Colon, where approximately 16,000 containers are handled on a monthly basis, 70 percent of which include cargo that previously never arrived to Panama and is currently distributed throughout Latin America.

In his opinion, "Panama's tremendous potential" is being confirmed by the start of operations of the Manzanillo container port, "which in a very short while - April 1995 - has already attested to this country's great future."

Commerce Secretary Brown also met with the board of directors of the Inter-Oceanic Region Authority (ARI) to learn about plans related to the use of lands and facilities the United States is reverting to Panama by virtue of the 1977 canal treaties.

"The United States and Panama have a very special relationship which is now in transition," the U.S. official stated in reference to the reversion process that includes the canal and all bordering land.

He also expressed optimism with respect to realizing the objective of establishing a Free Trade Area of the Americas (FTAA) by the year 2005, one of the requirements of which is for the countries of the region to have dynamic economies.

"The United States has understood that it also has to look toward Latin America," Brown declared, and at the same time recommended that "America has to follow the example" of commercial alliances such as the European Union and Asia."

He added that the United States "has understood" that we live in a global and interdependent world. At the same time he sent a message to all Panamanians that just as his country is looking "not only to the Atlantic, but also to the Pacific and Latin America," Panama must also look toward Europe to attract capital.

When asked about the tuna embargo that affects some Latin American economies, and the announcement of similar measures against shrimp fishing practices, Brown stated that the U.S. Congress is currently analyzing the approval of legislation related to tuna fishing and dolphin protection, "which shows that there has been improvement, not only in Panama, but also in Mexico," in providing adequate protection for these mammals.

With respect to the application of an embargo against shrimp fishing scheduled to enter into effect this coming May, Brown said it will occur if measures are not adopted to put an end to practices that threaten the life of sea turtles, currently facing danger of extinction.

Asked about the effects of the Helms-Burton law that prohibits trade with Cuba by corporations doing business with the United States, Brown stated that "I am unaware of what the law will have to do with Panama."

Colon Free Zone businessmen have stated that this area currently markets nearly $300 million to Cuba.

Panama: Correction of Helms-Burton Law 'Advisable'

PA2303024796 Panama City EL UNIVERSAL DE PANAMA in Spanish 22 Mar 96 p 1A

[FBIS Translated Text] The approved Helms-Burton law is an instrument the extraterritorial effects of which could harm our economy and the commercial activities of a large number of friendly countries allied to the United States. "I think that a correction of this measure would be advisable to make it compatible with the principles of a free and open economy, such as the one our countries practice, and to adjust it to international law guidelines." This is what President

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Ernesto Perez Balladares said during the speech he delivered at the formal dinner the United States-Panama Business Council held last night to honor him and U.S. Commerce Secretary Ronald Brown.

In the opinion of the Panamanian president, democracy is not only a government system that most people's resolve determines and that the mandate of the votes expresses; it is also a set of actions and policies that give content to this ideal through the prevalence of justice, freedom, and social solidarity.

Meanwhile, in reference to how the United States will enforce the Helms-Burton law on the rest of the countries of the world, Brown said in the morning that "his country always has the right to take actions on issues concerning its interests." He added that "the United States has always been interested in its allies' standpoints; however, on certain occasions, we take actions on which they disagree, and this is one of them."

The U.S. official pointed out that the Clinton administration for a long time opposed the implementation of the Helms-Burton law, but that it took a very hostile action by Cuba for the administration to change its mind.

Brown stressed that the sectors that will allow investments in Panama are the following: Telecommunications, transportation, tourism, and the assembling industry, which complements activities pertaining to the canal. Likewise, he said that his government is genuinely concerned about the implementation of the copyrights law and reported that, in his talks with President Perez Balladares, he assured him that a new law on the matter is being drafted. This is why Brown expects that a full compliance with this law will help overcome the concerns that have been voiced.

On another subject, the U.S. commerce secretary affirmed that there is a possibility of Congress passing a law on tuna, adding that this issue is clear and progress is being made on it not only in Panama and Mexico, but also in other countries.

Likewise, Secretary Brown pointed out that Panama's geographic position and the canal offer unique advantages to conduct business and that the economic reforms on which the government is working will help achieve this goal.

Panama: Banaico Insolvency Case, Part I

PA2003205996 Panama City LA PRENSA in Spanish 20 Mar 96 pp 6A, 7A

[First part of a three-part series: "Agony and Collapse of Banaico: Agro-Industrial and Commercial Bank"]

[FBIS Translated Text] Life taught Rafael Acosta how difficult it is to make the first $1 million. Years later, a bank in Panama showed him how easy it is to lose it.

Acosta left his fatherland, Cuba, in 1968, and even washed dishes in Las Vegas' Caesar's Palace. The detergent, his energy, and long work hours made miracles and by the middle of the 1970's Acosta was already a vice president for the corporation of philanthropist and recluse Howard Hughes. In the meantime, Acosta became a croupier and organized new games and betting. In 1974 he broke the $1 million barrier.

Years later, Acosta became independent and established a firm in Panama, which was also dedicated to games and betting. When the time came to save, however, he sought security. Where to find it? Acosta chose Banaico [Agro- Industrial and Commercial Bank], a bank that offered above all "trust." In April 1995, he placed $1.112 million in two one-year time deposit certificates. One, for a magic $1 million, was to earn $90,000 in that term. The second, was to earn slightly more than $10,000.

Jaime Johnson owns Digital Telecom, a firm that sells high-capacity telecommunications equipment. It is a small firm, which despite dealing with forefront technology, follows the same rules that apply for all personal or family businesses that intend to grow and prosper: "Much sweat, much effort, many sleepless nights, and many early morning wake-ups." Johnson decided to open accounts and deposit his money in Banaico — a little over $100,000 — because he needed the backing of a dynamic bank, which would eventually back the growth of his new business.

Cesar Bolivar Forero's business is feeding people. Bolivar owns the San Jose restaurant, which like all businesses of this type, requires continuous liquidity, because daily purchases at the market are done in cash. Bolivar needed a bank that offered flexibility and access. He chose Banaico because he had contact with its General Manager Bruno Bemporad, whom he knew from when he worked at other banks. Bemporad instilled "confidence" in Bolivar, who had always mistrusted organizations that receive cash and give a piece of paper in return. In December 1995, Bolivar took out his savings from under the proverbial mattress and deposited them in Banaico.

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Jellini, S.A., is an office-supply business, whose owner, Oscar Rubatino, decided to deposit in Banaico because of his friendship with Mariela de Camargo, manager of Banaico's only branch, located in Los Pueblos shopping center. The bank offered good interest rates and good promotions. Rubatino had heard some disquieting rumors regarding Banaico, but trusted that the manager would keep him timely informed.

Like them, slightly more than 100 people and companies deposited their savings in the Agro-Industrial and Commercial Bank S.A. (Banaico). There were big, medium, and small savings account holders. In the three categories there were those who — knowing the wise and old advice of not placing all your eggs in one basket — deposited only part of their savings. Others placed all their eggs in the metaphoric basket, and lastly, there were still others who deposited, in addition to their own, the savings of other family members.

A good part of the savings account holders were experienced and knowledgable businessmen or entrepreneurs. Others, more than experienced, had plenty of ring [preceding word published in English] — such as boxers say — in the field of business.

To all of them, nevertheless, Banaico seemed attractive. To start, Banaico offered a higher interest rate than other banks. Banaico paid 9 percent for one-year time deposits, while Banco del Istmo pays 8.5 percent; Banco General, 7.5 percent; Banco Continental, 7.62 percent; and the Chase Manhattan, 5.18 percent.

As far as risk is concerned, all of them considered it acceptable. Anyway, Banaico's general manager was Bruno Bemporad, someone who is well-known in Panamanian financial circles, and who had worked previously in several banks. More importantly, he had been a member of Panama's official regulatory entity, the National Banking Commission, for many years, up to February 1994.

Bemporad was a friend or personally acquainted with many of the depositors. This relationship, like Bolivar Forero's case, made them suppose that they could have a more direct access to credit, under more generous terms than with other banks.

Was Banaico safe? Some who still had doubts went to the Public Registry to find out who really pulled the strings. They came out satisfied.

Banaico had been registered on 10 October 1977 and began operations with the public on 28 May 1978. In other words, Banaico had been operating for close to 20 years. On 30 January 1995 a meaningful group of people appeared as bank "board members."

Banaico's president was Spaniard Manuel Salvador Morales, who for years was a prominent member of the Panamanian Banking Association. It became evident, during a 6 October 1988 ceremony, when then Association President Edgardo Laso Valdes decorated Morales with the "Presidential Order" for "his invaluable service to the Panamanian banking system." It was not difficult to prove. The diploma hung proudly on a wall in Morales' Banaico office, in a corner where a Spanish, Panamanian, and Finnish flag stood as symbols of the international scope and geographical diversity — tropical, Mediterranean, and Scandinavian — of Banaico's founders. (A copy of the same diploma hung on the wall of a nearby waiting room, where people having no access to Morales' office could see it.)

Morales was a prominent figure, and a familiar one as well, within the small community of Spanish bankers residing in Panama. In August 1995, he attended a farewell ceremony for Paulino Garcia Torano, general manager of the Bilbao Vizcaya Bank, who was wrapping up his duties in Panama. Morales presented Garcia with a plaque in recognition of his work, and the photograph of that instance was published in the social page of LA PRENSA.

The photograph's footnote read: "The Spanish bankers in Panama paid a tribute of affection and fondness to Paulino Garcia-Torano, general manager of the Bilbao Vizcaya Bank, who is being transferred to Madrid, Spain, after staying in our country more than six years."

Major Alfredo Aleman, a prominent Panamanian, appeared in Banaico's data file at the Public Registry of Property as holding two posts at one time: Vice president and secretary. The other person included as a "board member" was treasurer Diego Quintero. Morales, Aleman, and Quintero — but not Bemporad — were registered as bank directors.

Aleman is currently the executive secretary of the PRD's [Democratic Revolutionary Party] Business Front and is closely linked to President Ernesto Perez Balladares. Aleman played a major role, which many observers and PRD leaders believed to be crucial, in raising funds for the PRD's 1994 presidential campaign. He was close to Perez Balladares from the very start of the electoral campaign, when "Toro's" victory as presidential candidate was still in doubt. According to several sources who feverishly insisted on anonymity, the president is very grateful for that, meaning that Aleman has unrestricted and cordial access to Perez Balladares.

The contents of the public registry's data files were a relief for even the most frightened. The bank's most important figures represented a myriad of qualities,

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contacts, and comparative advantages at international, domestic, and managerial levels. Relying on a sense of "trust," which the bank offered as its best characteristic, depositors gave Banaico a vote of confidence, that is, their money.

According to Rafael Acosta, the early warning signs began to show up a few months after he made his deposit and began to make banking transactions with Banaico. On 14 November 1995, Acosta wrote a letter to General Manager Bemporad, pointing out that his company's foreign suppliers were claiming they had not received "the money transfers we requested from your bank." Acosta requested Banaico to send him "a fax of the transfer confirmation in order to (...) try to apologize." Acosta begged Bemporad to take quick action on the matter, "since our company's credibility is being compromised by our non-fulfillment." The amount of money involved totaled $33,000.

Despite Bemporad's promises, things did not improve. On the contrary, they got worse. After receiving complaints from suppliers, an official from Acosta's company addressed a letter on 15 December to Bemporad and Assistant Manager Maritza de Mattaden, acknowledging receipt of "the notes delivered in order for us to face the critical and embarrassing situation with our clients."

The situation got even worse when Acosta asked Bemporad on 21 December to wire $24,810 to the bank of his Taiwanese suppliers. The money was deducted from Acosta's account, but never reached its destination. When an outraged Acosta called Banaico, bank officials assured him that the money had been wired. As proof, they sent him a fax of the transfer instructions that they said were sent to the Bank of New York, their correspondent bank.

The uneasy Taiwanese suppliers answered back "sorry." With or without fax, the money had not arrived.

The same situation developed with Kilmartin Industries, Inc., a U.S. supplier, to whom Acosta had forwarded $20,000. This wore out Acosta's patience.

This past 11 January, after receiving a very small fax from Kilmartin, indicating that they had confirmed that no transfer had been received between 7 December 1995 and 11 January 1996, Acosta's lawyer headed to the CBN to report "the irregular manner in which Banco Industrial and Comercial de Panama, S.A. (Banaico) was handling specific accounts held by the bank." The lawyers — law firm Sanjur, Primola, and Associates — told the commission that, after more than the elapse of a month "the transfer has not been carried out, despite Banaico having reassured and given us alleged evidence attempting to show that the transfer had taken place." In addition, the letter continues, Kilmartin had contacted Banaico's correspondent bank in New York, Chemical Bank, to advise them that "Banaico did not have sufficient funds with which to complete the transaction." Despite all of this, the attorneys added, Banaico proceeded to "debit the previously mentioned amount from its account, which we view as highly irregular, the reason for which we are requesting an investigation into this situation since a felony could be in the making which could seriously compromise the reputation of Panamanian banking institutions."

The banking commission did not adopt any measures.

The situation continued to steer out of control with each passing moment. While faxes from unpaid suppliers continued to pile up, Acosta requested Banaico to return the funds that he had deposited, regardless of whether he lost the accumulated interest or not. He only wanted his funds back. Impossible, they told him. The deposit had been for a one-year period that was scheduled to mature in April 1996 and that by law they were entitled to hold the deposit for that time period.

At this point, the law was the last thing being followed. The string of transactions that had not been carried out continued. The banks continued to evade questions and each time telephone calls were returned with less frequency. By mid-January Acosta had had enough, he went to see Bemporad and told him: "I want my money back."

Bemporad told Acosta that they were unable to return his funds. More than $3 million had been embezzled. However, he did offer him a checking account with which he would be able to draw $10,000 each day. In three months time he would have his money back.

On 19 and 22 January, Acosta was unable to cash two checks. On 23 January both checks bounced. Shortly afterwards, he found out that the bank's management had been taken over.

The takeover news caught Jaime Johnson by surprise. He never suspected what was about to take place, until he found out that he and his funds had gone different ways. "All our bags got caught in Banaico," he says. Several weeks of nightmares were to follow during which his business nearly went bankrupt. However, through the help of foreign corporations that he represents "we have been able to paddle to shore."

Cesar Bolivar Forero, who had overcome his apprehensions with respect to banks and had deposited his savings with Banaico, suddenly found out that, at least in this case, his fears had been well-justified. His checks

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bounced one after another and suddenly he found himself in a situation where he quickly had to repay $10,000 which, bounced checks in hand, were being demanded by several creditors.

Oscar Rubatino, who had trusted that his friendship with Mariela Camargo, manager of Banaico Los Pueblos branch, would keep him abreast of any irregularities, found out too late that she had been abruptly sent on vacation as of 16 January.

To many account holders, the takeover announcement was not the worse. In contacting the bank's government-appointed manager to find out about their status, they were advised that their accounts had been reclassified as foreign deposits so that the bank could circumvent the need to establish legal reserve requirements with the National Bank of Panama. In fact, a major portion of large deposits had been carried out as foreign accounts.

In the meantime, the painful reality to Acosta, Johnson, Bolivar, Rubatino, and dozens of other account holders was that they were out in the streets and their funds either somewhere inside the Banaico or nowhere. Their "trust" had been deceived; their funds had vanished.

This is the outcome of a long process, the responsibility of which belonged to others, not them, to forewarn, prevent or thwart it.

Panama: Banaico Insolvency Case, Part II

PA2103221496 Panama City LA PRENSA in Spanish 21 Mar 96 pp 6A, 7A

[Second part of a three-part series: "Agony and Collapse of Banaico: Agro-Industrial and Commercial Bank"]

[FBIS Translated Text] The first thing that impacted members of the National Banking Commission (CBN) when reading the letter in which Manuel Salvador Morales, president of Banaico's board of directors, asked for the intervention, was its laconism. "It is the briefest letter I have ever read in my (...) professional years. A letter of one and a half lines," a CBN member, with an intense wish to remain anonymous, said. "It simply said: Deposits have been withdrawn. I am insolvent, I hand over the bank."

There was no doubt as to the insolvency. For two days Banaico had been unable to keep its Compensation Chamber obligations. Bounced checks and incomplete operations were an unequivocal sign of a financial mishap.

This was the first time the CBN moved quickly with this case. On 24 January of this year CBN issued Resolution 1-96 where it indicated that in view that the "Agro-Industrial and Commercial Bank of Panama (Banaico) S.A. is unable to continue operations safely," they were intervening it in accordance with norms contained in Cabinet Decree No. 238. The resolution was signed by CBN President Guillermo Chapman and CBN Secretary Nestor Moreno.

There is nothing pleasant with an intervention, and the mechanics of carrying it out reflect this. It is a quick expropriation of roles and prerogatives in which the bank's executives are removed from all their tasks. The resolution's article No. 2 stated: "To order the suspension of all Agro-Industrial and Commercial Bank of Panama (Banaico) S.A. banking operations."

Erasmo Castro, the intervener appointed under the resolution's Article 3, took the post "with full power to administer the bank and replace the current administration..."

Shortly after signing the CBN resolution, Erasmo Castro entered Banaico accompanied by a small group of collaborators. Castro gathered the bank's workers and formally informed them of the intervention. Immediately afterward door locks and safe combinations were changed. The same took place in Banaico's only branch in Los Pueblos shopping center. Castro even took his own secretaries, even though he ended using Banaico's when he needed experience and efficiency.

Castro immediately took over Morales' large office from where, surrounded by pictures of bank founders and Morales' framed decorations, he began his work.

Outside the bank, Erasmo Castro is an expert baseball commentator, especially on the U.S. major leagues. He is also an active tennis player, whose serve is feared by players in their forties at the Union Club (Castro is in his early fifties).

One of Erasmo Castro's distinctive characteristics in his long (28 years) banking career, is the number of interventions he has carried out: A total of three. Those previous to Banaico's ended up with the intervened banks being liquidated.

Various sources who have had a professional relationship with Castro agree that he sticks to the rules and procedures and can be cold and cutting. When he came into contact with depositors' anxiety, this characteristic turned into friction and a tense relationship. "We had a meeting with him on 12 February," said one of the hastily-organized "account holders" leaders. He told us that he was going to look out for depositors' interests. Many thanks. Good morning." [no opening quotation mark as published]

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Simultaneous to the eroded relationship with the anxious account holders, Erasmo Castro set out to investigate the Banaico situation.

Of the first operations Castro reviewed, there were two that drew this serious-minded official's attention the most. These were operations that had been recorded as so-called "memorandum accounts," [cuentas de orden] which are out-of-balance accounts that are utilized to carry out operations outside the bank's normal procedures. A banking commission member commented that "these operations were uncovered by mere chance."

The memorandum accounts were two guarantee letters issued by Banaico. One for $20 million, and the other for $90 million. The guarantee was dependent on the receipt of a $250 million transfer from a European bank.

The transfer never took place, and an individual with the eloquent name of Grossetete decided to file a lawsuit in a Switzerland court against Banaico, demanding the payment of the $20 million letter of guarantee. At the moment the bank was placed under government control, the trial was still taking place and Castro was prompted to transfer funds to Switzerland to pay Banaico's lawyers.

"The amount of the guarantee represented 75 percent of the bank's assets" the same banking commission source points out. "Where was the counter-guarantee for an operation of this amount? The $250 million transfer never arrived. No respectable bank would even think of about carrying out this type of operation."

Banaico's assets rapidly turned into an issue of dispute between Castro and Morales. By 31 January 1996, Banaico reported that it owned assets valued at $120 million. Cash accounts, always according to Banaico, amounted to $24 million. However, according to Erasmo Castro's report, of the $24 million cash accounts, $23.4 million were fictional, merely paper.

Morales provided an explanation in a letter he sent to Castro this past month of February. It was, he wrote, a provisional "placement" of specific operations. He added that such a practice was routine among "offshore" [preceding word published in English] banking centers in order to defer nonproductive operations.

An official of a foreign bank in Panama explained the loan "placement" procedure to LA PRENSA in the following manner:

Whenever a bank wishes to lend one of its shareholders funds over the legal limit, the bank - bank A for purpose of this explanation - deposits funds with bank B with the understanding that these will be used as a loan to the shareholder. In turn, bank B makes sure that payment is made through a pledge [pignoracion] system. In other words, the funds deposited by bank A are committed as a guarantee for the loan. Generally, bank B earns about 1 percent on the operation.

Auditors generally do not ask questions about pledges, only about account balances. "Placing" operations, the banker said, "is common a routine practice but certainly a risky one. In addition, it is a way of misleading the authorities and the public."

After auditing the cash accounts, Castro then proceeded to analyze the bank's loan portfolio. Banaico had extended loans amounting to $88 million, a significant percentage of which had been extended through bank overdrafts.

Erasmo Castro's conclusion, which is included in his report, is that of the $88 million granted in loans, $59 million were questionable loans or of either "nil or zero recovery loans, causing a devastating effect on the bank's liquidity."

Castro pointed out in his report that he also found an account called "other debtors," which was missing from the loan portfolio because of the lack of documentation. The account totaled $2.5 million.

A fifth of that account, or $500,000, was drawn out of Banaico the day before the bank was taken over. "The officials who prepared the documents" Castro stated in his 13 March report to the National Banking Commission "cannot explain who they gave the money to."

Banaico's paid-in capital totaled $8,365,000 on 31 December 1995. But the Banco Exterior deposited $5 million of that amount in Banaico from 31 December until 4 January, for what is known in banking jargon as "window dressing," [preceding two words in English] or balance sheet cosmetics. According to the report, Morales pledged the loan, using a company he owned called Roberts.

The Banco Exterior and the Banco de Bilbao maintained friendly relations with Banaico, not only for "window dressing" operations but for the investment of mid-sized quantities in fixed term deposits, which were trapped after the collapse and takeover of Banaico. They constituted a significant amount of the $11 million that local and foreign banks deposited in Banaico.

Paulino Garcia Torano, former manager of the Banco de Bilbao Vizcaya, Panama Branch, who had cordial relations with Morales, was dismissed by his bank as soon as he returned to Spain due to the poor evaluation of his performance in Panama. It was not exactly the

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type of farewell party that Morales threw for Garcia Torano when he was transferred out of Panama.

According to Erasmo Castro, the discoveries did not cease. On close examination of the fixed term deposits, Castro found that a significant number of local deposits — especially the large ones — had been classified as foreign deposits. This would spare Banaico from maintaining a required banking cash reserve at the Panama National Bank. In his report, Castro detailed the discrepancies, placing Banaico's classifications and his side by side. According to Banaico, nearly 60 percent of deposits were foreign. But Castro's report stated that only 30 percent were really foreign. The classification of local or foreign deposit could represent the difference between recovering your money or not during a possible sell out.

Castro's report was presented on 13 March. The report was plain, and some commissioners found major omissions. "There is no mention of transactions by related parties" one commissioner said, referring to transactions by board members. "Information is also lacking about the last three days of the bank. Who did they call? Who did they give cash to? There is no list of names associated with the loan and deposit portfolios."

"The role of the government-appointed administrator" Castro replied when LA PRENSA asked him about those omissions, "is to clearly determine the assets and liabilities of an institution that has been taken over. If the Commission wants more information, all it has to do is ask."

Throughout this investigation LA PRENSA tried, without success at first, to contact Banaico President Manuel Salvador Morales, for an interview, which was finally obtained through Fernandez Nunez Fabrega, representative of a group of Banaico account holders.

On 15 March, LA PRENSA was told that the banker would receive them in his office, but banker employees prevented this by saying that Morales did not work there.

Hours later, Nunez Fabrega called LA PRENSA to set a time and date — 0900 on 18 March — in the same place where it was said Morales did not have an office.

Following the interview, Morales requested that his statements not be attributed to him because, according to him, the banking law forbids this. Nunez Fabrega, who was present at the meeting, suggested that Morales' statements be quoted as being from "a source close to the bank's administration."

LA PRENSA believes that the type of interview should be determined beforehand and unless there is a previous agreement, all interviews are attributable to their source. Therefore LA PRENSA feels at liberty to reproduce excerpts of the rocky and tense interview with Morales.

Several attorneys who were consulted over the alleged limitations the banking law places on Morales, explained that only partial limitations existed. Gabriel Castro, executive secretary of the National Security Council, said during the course of an interview that there was no such impediment.

Morales, who just as people who know him describe him, is a shifty man with a quick reply. He often fails to reply when asked to be specific.

And he showed himself to be just that way. Repeatedly the interviewers became the one's being interviewed. Nevertheless, they managed to make several questions.

Here are excerpts of the interview.

Morales describes his work as Banaico president as what anyone else would have done in his shoes. "This means what it means, it means nothing else," he said as a complaint when he was asked about his performance as the head of the bank.

Morales explained that the bank's insolvency was due to "a run, in other words events were taking place that confirmed that something was happening outside the bank, more than in its interior," for example, deposit cancellations, the banker said.

He denied that the bank had switched the condition of local deposits to that of foreign ones. "As far as I know this change never took place (...). Furthermore, I do not know why, but at the beginning the CBN classified this bank as Finnish, [perhaps] because we have two or three Finnish partners."

He added that the CBN reconsidered this classification and "without anyone requesting it described it as a Panamanian bank and continues to be classified as a Panamanian bank as far as I know."

Morales minimized the importance of the lack of liquidity charges made by account holders in December 1995 before the Banking Commission and said that this type of transaction usually are delayed for several months.

"I want to tell you," he said, "that I believe Mr. Bemporad is a very acceptable professional. I also believe that at no moment he willfully acted in bad faith. It is him, however, who can explain what happened day by day."

Regarding a Banaico inspection in 1992 by the Banking Commission, Morales affirmed that "in 1992 it did not

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have any problem whatsoever. In 1993 it did not have any problem either. In 1994, as far as I can remember it did not have any problem."

Banaico is facing a legal suit for having extended a $20 million letter of guarantee in favor of a European bank. Morales has admitted that the bank management did grant the letter.

The banker argued, however, that Bemporad can commit the bank for only $3 million. Morales, who has broad powers over the bank's businesses, said he has not issued "any letter of credit or letter of guarantee for those amounts or for any other amount."

"I assure you that there is absolutely no document committing the bank in an operation of this nature. This is clear!," Morales exclaimed. Management can commit the bank only for the amount I mentioned, he added.

In Morales' opinion, the suit "is an attempt to commit fraud" for $20 million against Banaico. The letter of guarantee was signed by management, he said, "without the knowledge of the board of directors or myself."

Bemporad did not report this operation until later, Morales said. He added that he reported this to the Banking Commission.

Morales, who says he knows very few of the account holders, said: "I never sign checks and I think that in the 18 years this bank has been functioning, I have never signed any, with the exception of a small cashier's check.

Panama: Banaico Insolvency Case, Part III

PA2303022796 Panama City LA PRENSA in Spanish 22 Mar 96 pp 6A, 7A

[Third part of a three-part series: "Agony and Collapse of Banaico: Agro-Industrial and Commercial Bank"]

[FBIS Translated Text] In his book "Money and Class in America," published in 1988, U.S. essay-writer Lewis Lapham, who is also director of the old and prestigious HARPER'S magazine, wrote the following reflections on the atmosphere that prevails during banking operations:

"It is no accident that banks seem like temples, preferably Greek, and that supplicants who come to carry out deposit and withdrawal rituals instinctively modulate their voices in a reverential tone. Even the youngest cashiers soon acquire, in a matter of weeks, the officiousness of the hierophants who guard the eternal flame. I do not know how they are initiated so quickly in the main mysteries, or who trains them in the finely-articulated inflections of contempt toward the layman. But somehow, [the bankers] learn to feel like the providers of monetized DNA, which is the breath of life."

Thus, being a banker, is no easy task.

Being a bank commissioner, a banking supervisor, must be even tougher.

Perhaps this explains the true cult to discretion that the National Banking Commission (CBN) practices, comparable for the time being with orphic mysteries. This is something every layman who goes in search of information notices, especially if the particular layman happens to be a journalist.

One of the problems with excessive secrecy, nevertheless, is that it can act as a boomerang, not only preventing information from getting out, but also not allowing any in, or even any information from being processed.

CBN members who attended the first meeting following Banaico's intervention on 24 January, had some tough questions to ask themselves.

Why had the CBN not been able to foresee Banaico's collapse? Why had no action been taken until Manuel Salvador Morales, chairman of Banaico's board of directors, requested that his own bank be intervened?

Neither Banaico's incapacity for two consecutive days to honor its Compensation Chamber obligations, nor the letter of complaint by the legal offices of Sanjur, Primola and Associates, sent on 11 January, were sufficient to induce the CBN to deal with the matter. Any objective evaluation is forced to conclude — at least in this case — that the CBN had failed its task as banking superintendent.

At that meeting, before discussing the case, Planning and Economic Policy Minister Guillermo Chapman made circulation among the commissioners a document: A letter Manuel Morales sent to Mayor Alfredo Aleman on 25 January, that is, a day after the order to intervene Banaico was issued. In that letter Morales states, "according to our conversation," Aleman removed himself from the Banaico Board of Directors when he joined, for a brief period, the Board of Directors of the National Bank of Panama, in 1994. Morales's letter also leaves on record that during his brief period as director of Banaico," Aleman "never participated in the bank's operation."

The purpose of the letter, which under other circumstances would be viewed as private communication, is obvious. According to the Public Register's record on that bank, Mayor Alfredo Aleman was director, vice president, and secretary of Banaico. The logo of corporation investigation formats of the Public Register pre-

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pared a week after the intervention lists the affiliation. (see facsimile)

According to sources close to Aleman, Morales' letter-certification indicates that Morales neglected making pertinent changes in the registry after Aleman's resignation. The explanation was implicit and according to a commissioner who participated in the meeting, was not discussed. No one stated an opinion on this.

The participants in the meeting had conflicting feelings on the case. One who asked that his name not be published said plainly: "The conclusion is that there has been a notorious lack of ability and supervision from the Banking Commission... that cases such as that of a red light [luz roja], went on for four years before it was decided to make an inspection when the norm is that inspections be conducted every two years, even for the best banks.

The commissioner was referring to the 30 April 1992 inspection of Banaico. According to the inspection's report, 29 percent of Banaico's loan portfolio was made of bad or doubtful accounts.

The second reference was Article 64 of the law on the "Legal Regime of the Banking System and the National Banking Commission." The article orders: "At least every two years, the Commission must make one or more inspections in each bank to determine its financial solvency and compliance with the dispositions of the Cabinet Decree."

But the Commission not only ceased making inspections ordered by the law "despite the doubtful portfolio" of 1992, as the commissioner says, it accepted a contingency credit granted by Banaico to the Lyon Bank of Montserrat, in the West Indies. "The Lyon Bank was granted this credit, above its capital," the commissioner reported. "This would not have been permitted by the local authorities if the (Lyon) Bank had been registered in the Cayman (Islands) or in the Bahamas, but it is registered in Montserrat where there is no regulation. But how the Banking Commission accepted something that is not permitted by Panamanian laws or the laws of any other country?"

The commissioners who discussed the issue, under the invariable anonymity request, generally agreed that a significant part of the major deficiencies are due to a shortage of means and human resources. Another commissioner said: "I find the administrative deficiency of the Commission pathetic." "For example," he added, "when there was the problem with Venezuelan banks, we saw that Bank of Progress and BancRep existed only on paper. We saw this only when Venezuela collapsed (sic) and this was something that could have been prevented if the balance sheets had been examined."

Some sources were less compassionate. A Panamanian banker said: "An inspection is normally made every two years, even on the best banks, and several inspections are made in between. This is the standard and it is complied with. Why was the decision to inspect a red-light case like this one delayed four years? Was this is a gross mistake and an oversight? I can't tell."

This should not happen, at least in theory. The Banking Commission is made up of principal and alternate members both of the government and the banking system. The Banking Association presents to the government three-name lists of candidates for members. But it is the government which makes the final decision. Chapman, the Commission president, is regarded as a capable professional, whose inclination to give sharp, cutting replies does not completely disagree with the objective of making precise, accurate judgment, which is the economists' permanent dream. The Commission's executive director is Nestor Moreno. The other Commission members are generally regarded as competent.

In addition to having good group leaders, the Commission must have all the information it needs. By law, the local (general license) banks must present to the Commission an annual total of 678 reports on their operations. For instance, in two daily reports, they must report the daily minimum legal deposits and the overnight [preceding word in English] deposits. On a monthly basis, the banks must report on their credits and deposits, "required" liquidity, and cash movement. Every three months, they must submit an analysis of their credit portfolio, details of their balance sheets, loan movement, savings accounts, and other items.

A considerable number of banks take these requirements seriously and spend considerable time and effort in organizing and submitting the information. The manager of a branch in the banking center says: "I had a loan which I reclassified as foreign. For this, I had to request the auditors' opinion and investigate the banking practice in the system. Then, and only then, when I had all the facts to formulate an opinion at hand, was I able to make the reclassification."

Obviously, in Banaico's case, a fraction of this information would have been enough to see the financial "red light," anticipate the danger in time, and prevent it.

But for that to happen, the information had to be read.

The National Banking System has 68 officials, of which a good number are primarily administrative, who receive more than 40,000 reports a year. This is a good scenario for a speed-reading contest, but does not even approach

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the minimum conditions for a responsible analysis. "The problem [with the Commission] stems from its inability to analyze those reports and take corrective measures in time. I have never seen the Commission act in a preventive fashion. Its members only act when there are problems," the bank branch manager says.

"The problem lies in the system itself," an adviser to Banaico's account holders, with long banking experience, says. "Someone should devote himself to strengthening the banking center with several measures, like more appropriate laws and more thorough audits. The Banking Commission's laws should be revised. Its regulations are outdated. In addition, the Commission must be more aggressive and pay more attention to detail."

For the account holders, these recommendations sound painfully tardy, regardless of their hope to recover even a fraction of their deposits. Tackling the problem now, with clarity of mind and energy, could not only prevent other Banaicos in the future but prove crucial for the Banking Center's future.

Panama: Account Holders Want To Keep Banaico Open

PA2303022696 Panama City LA ESTRELLA DE PANAMA in Spanish 22 Mar 96 p A1

[Report by A. Sanchez Belisle]

[FBIS Translated Text] Fernando Nunez Fabrega, spokesman for the savings account holders of the intervened Agro-Industrial and Commercial Bank of Panama, Inc. [Banaico], revealed yesterday that the account holders have asked the National Banking Commission [CBN] to grant them a reasonable period to "restructure" the entity to reopen it adopting, if necessary, "stockholders positions" together with banks interested in supporting this petition.

Nunez Fabrega told LA ESTRELLA DE PANAMA: "These banks are not a product of our imagination. They have contacted not only us and the previous owners but also the CBN." Nunez Fabrega said these banks are "very solvent."

He noted that the request by Banaico's savings account holders was made through a letter sent on 18 March to Planning and Economic Policy Minister Guillermo Chapman who is also president of the CBN.

Minister Chapman recently reported that CBN is deciding whether to liquidate Banaico or to reestablish its operations.

Last Friday, according to the minister, the bank's intervenor Erasmo Castro presented a financial report to help the CBN decide Banaico's future.

Nunez Fabrega said: "The intervenor's report has holes that must be cleared up.

Nunez Fabrega said that in such brief period of time, no careful analysis on payment possibilities can be made because any analysis must be complemented with notions based on experience and therefore "it should be made not by auditors but by a group of bankers."

Nunez Fabrega noted: "To say that a debt exists is one thing, but to conclude that it can be paid or not, is something else."

Nunez Fabrega said that if CBN accepts the request of the savings account holders "we are prepared to make a formal offer to restructure and to reopen Banaico."

Panama: AG's Office Interrogates Banaico Officials

PA2303224796 Panama City LA PRENSA in Spanish 23 Mar 96 p 1A

[Report by Julio Cesar Aizprua and Vilma Figueroa B.]

[FBIS Translated Text] Police agents yesterday at 1645 hours led Manuel Salvador Morales, president of the intervened-in Agro-Industrial and Commercial Bank of Panama (Banaico), to the Attorney General's Office to be interrogated on the problems that made the institution he headed collapse. Bruno Bemporad, Banaico general manager, was also interrogated.

Morales was in his office located on the ninth floor of the Universal Tower building. Approximately 20 minutes after police agents arrived in Morales' office, his lawyer, Jose Alberto Alvarez, also arrived to learn of the reasons for the measure.

Hours before Morales was led to the Attorney General's Office, businessman and Banaico account holder Fernando Nunez Fabrega left the building. He told LA PRENSA that "there was no news" in this place, because the news was at the Planning Ministry, where a news conference to explain Banaico's situation had been convened.

Gathered at the place, reporters were able to observe how Morales, hiding his face with his jacket, was led to the Attorney General's Office in a vehicle with license plate number 051369. Ramon Diaz, former chief of the UESAT [Special Antiterror Service Unit], was driving the car, and police agents, in addition to Morales, were inside the vehicle. When the presence of LA PRENSA reporters was noticed, the vehicle sped away.

Once at the Attorney General's Office, the officers in charge interrogated Morales, while former Banaico General Manager Bemporad was also being interrogated at the same place. Bemporad, who was on his own, left

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the Attorney General's Office through the main door at 1935 hours and immediately got in a car that was parked on the adjacent sidewalk. The reporters who were awaiting news of Morales' interrogation did not realize Bemporad was there.

A few minutes later, at 2000 hours, Morales left through the same door accompanied by Diaz; Attorney General's Office security agents; and his lawyer, Alvarez, who limited himself to saying that Morales "was going home."

Both Morales and Bemporad have been ordered not to leave the country.

Panama: Newspaper Notes Effects of Banaico Liquidation

PA2403131496 Panama City EL SIGLO in Spanish 23 Mar 96 p 2

["Forum" editorial]

[FBIS Translated Text] Although Guillermo Chapman, who is the planning and economic policy minister as well as the president of the Banking Commission, has tried to minimize the effects that could arise due to the irregularities in the management of the funds deposited in Banaico [Agro-Industrial and Commercial Bank of Panama, Inc.]. It is very apparent that the operation of this organization has been scandalous, revealing that illegal actions have been committed and, thus, that there are wrongdoers in all this.

Whether it was negligence or fraud, faults by acts or omissions, the case must be thoroughly investigated both to safeguard the assets that the bank received from its account holders, as well as to extricate the entire national banking system from the shadow of mistrust that this occurrence has cast on it.

As a result of this lack of credibility we already have to take into account the decision made by a U.S. bank that has publicly announced that it has suspended its operation in our country, specifying that it does so because of what happened in Banaico and the way that this irregularity has been handled. What this organization, the Capital Bank, has done can become the gap through which other similar institutions will leave in a veritable stampede.

It is thus necessary to face as soon as possible this imminent danger that hovers over this activity that is of utmost importance for our country's economic and institutional life. The investigation of the entire case must be quick, caustic, and objective. This investigation must reveal the culprits and they, regardless of who they are, must be immediately tried and punished. This must be done so that our people, as well as the international community, know that theft of money is not left unpunished in Panama, regardless of how elaborate the method is that has been used to carry out the heist.

Panama: Banaico Members Accuse CBN of 'Smoke Screen'

PA2403173396 Panama City EL PANAMA AMERICA in Spanish 24 Mar 96 p 1A

[Report by Arnulfo Barroso]

[FBIS Translated Text] Fernando Nunez Fabrega, spokesman for the Banaico [Agro-Industrial and Commercial Bank of Panama, Inc.] account holders, accused the National Banking Commission [CBN] of "casting a smoke screen" with the liquidation of this bank to "protect" one of its directors and added that proof of this is that the account statements had been "edited."

He also announced that information indicates that local account holders will receive, via the liquidation, 100 percent of their money, approximately $33 million, while foreign account holders will receive 38 cents per each dollar, approximately $65 million, and the purveyors who opened credit lines for $9 million will receive nothing.

"I believe the plenum of the CBN should be summoned by the Attorney General's Office, along with Morales and Bemporad (Banaico directors who were questioned on Friday), because this is a smoke screen to cover up a name we all know," he emphasized.

Nunez Fabrega refused to disclose the name of the said director, but said that the CBN "censored" the records of the bank's interests to prevent account holders from knowing what transactions were made.

He indicated that two days prior to the announcement of Banaico's liquidation, CBN President Guillermo Chapman and three other members of the CBN said that the account holders would have the opportunity to submit a bid to reorganize the bank.

In spite of this, he added, Deputy Planning Minister Carlos Vallarino, who temporarily replaced Chapman in the CBN, announced the liquidation of Banaico in light of the lack of serious offers for its reorganization.

He noted that "arms were twisted" in the CBN to agree to the liquidation. Although Vallarino had assured that the decision (adopted by four representatives of the government and three representatives of the private enterprise) was unanimous, it was later learned that several commission members "gave in" very much against their will.

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Panama: Reorganization of Banking Commission Urged

PA2503002096 Panama City EL PANAMA AMERICA in Spanish 24 Mar 96 p 1A

[From the "Panama's Pulse" column]

[FBIS Translated Text]

Banaico [Agro-Industrial and Commercial Bank of Panama, Inc.]

The scandalous bankruptcy of this banking institution has forced the authorities to order a criminal investigation of the alleged "illegal transactions" that caused Banaico's collapse, leaving more than 3,000 local and foreign depositors in suspense. The current legal proceedings are unprecedented in Panamanian history.

Collapse

The preliminary reports disclose a hellish picture of Banaico's financial situation and inept business management. According to the private auditors who carried out this study, Banaico has suffered "a loss of 50 million balboas in assets," including 12 million in bad loans and another 24 million in unrecoverable loans.

National Banking Commission [CBN]

Besieged by depositors who blame the CBN for not foreseeing this disaster, all sorts of excuses have been given, including banking secrecy. However, the CBN should be reorganized from the ground up. Maybe the CBN should delegate its functions to a prestigious independent accounting firm.

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Argentina

Argentina: Minister Confirms Chile To Join Mercosur

PY2303021696 Buenos Aires TELAM in Spanish 2314 GMT 22 Mar 96

[FBIS Translated Text] Buenos Aires, 22 Mar (TELAM) — Foreign Minister Guido Di Tella confirmed today from Colombia that Chile will officially join Mercosur [Common Market of the South] — a free trade area comprising Argentina, Brazil, Paraguay, and Uruguay — on 25 June.

Shortly before returning home from Cartagena de Indias (Colombia), Di Tella pointed out that "the final agreement on the establishment of a free trade area between Chile and Mercosur will be signed within the next 10 days."

Di Tella declared: "We have signed a temporary agreement at the level of technical experts because there are still some pending matters that need to be settled, but in the next 10 days, we will sign the final agreement and on 25 June, the presidents will sign the final document."

Chile's decision to join Mercosur was adopted early this morning during a meeting the commerce ministers of the countries of the Americas held in Colombia, including Chilean representatives.

Di Tella noted late last night that "Chile's incorporation into Mercosur is a fact." This indeed occurred some hours later and was confirmed this afternoon by the Argentine foreign minister.

The agreement providing Chile's incorporation into Mercosur will be signed on 25 June in Buenos Aires by the presidents of Argentina, Brazil, Paraguay, Uruguay, and their Chilean counterpart and will come into force on 1 July.

Agreement on Chile's adhesion to Mercosur was reached in Cartagena at 0830 GMT following a long drawn-out meeting between Di Tella, Brazilian Foreign Minister Luiz Felipe Lampreia, Uruguayan Foreign Minister Alvaro Ramos, Paraguayan Foreign Minister Luis Maria Ramirez Boettner, and Chilean Foreign Minister Miguel Insulza.

The foreign ministers, who were participating in the Free Trade Area of the Americas Ministerial Summit held in Cartagena from 18 to 21 March, took this opportunity to resume the negotiations commenced in Buenos Aires on 14 March.

The meeting between the Mercosur foreign ministers and their Chilean counterpart began at 0030 GMT following the closing ceremony of the summit meeting, and continued until 0830 GMT.

Argentina: 1999 Elections' 'Internal Trend' Discussed

PY2203171696 Buenos Aires CLARIN in Spanish 15 Mar 96 p 13

[FBIS Translated Excerpt] [President] Carlos Menem and [former Tucuman Governor Ramon] "Palito" Ortega held a one-hour **private** meeting at the Alvear Hotel last night. During their meeting, the former Tucuman governor informed the president of his decision to **run as a PJ [Justicialist Party] presidential candidate** during the 1999 elections.

The meeting, during which they drank champagne alone, was kept secret and was only confirmed shortly before 2100 yesterday. At that time, "Palito" learned that he would have about 60 minutes to chat **privately** with Menem, who subsequently would participate in a reception to honor Lithuanian President Algirdas Brazauskas at the Alvear Hotel.

Sources contacted by CLARIN noted that the meeting followed "**recommendations by third parties.**" "Palito" met on the evening of 12 March with Santa Cruz Governor Nestor Kirchner, a leader of the Peronist "rebellious" sector. During their meeting, "Palito" and Kirchner agreed to launch an **internal trend** within Peronism to confront Menemism and Duhaldism [supporters of Buenos Aires Governor Eduardo Duhalde].

Nevertheless, "Palito" allegedly assured Menem yesterday that **he does not intend** to turn this internal trend into an anti-Menemist expression. While attempting to explain to Menem the profile that he wanted for his internal trend, the former governor apparently preferred to describe it as "**Ortegist**" [Orteguismo] [passage omitted]

Argentina: Tickets for Buenos Aires PJ Primaries Presented

PY2203185096 Buenos Aires CLARIN in Spanish 15 Mar 96 p 15

[FBIS Translated Excerpt] Vice President Carlos Ruckauf was unable to have other party sectors join in **and presented** — forming an alliance with Interior Minister Carlos Corach — **his own tickets** for the 14 April Buenos Aires PJ [Justicialist Party] primaries. Ruckauf will run for Buenos Aires PJ president and will also head the list of bylaws assembly members [estatuyentes]. As it was impossible to achieve an agreement with Jose Pradelli, [Provisional Senate President] Eduardo Menem's protege, Ruckauf decided to run on his own.

The Ruckauf-Corach duo hopes that Jorge Dominguez, Buenos Aires mayor and Buenos Aires mayoral hopeful,

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will support them as "his proteges" in the internal campaign. [passage omitted]

Argentina: Drug, Terrorism Pact Reached With Brazil

PY2303015696 Buenos Aires CLARIN in Spanish 22 Mar 96 p 24

[Report on news conference by Brazilian Justice Minister Nelson Jobim by CLARIN correspondent Eleonora Gossman in Brasilia; date not given]

[FBIS Translated Text] During a news conference with foreign correspondents, Brazilian Justice Minister Nelson Jobim stated that the Brazilian and Argentine Federal Police have information that Palestine fundamentalist groups are operating in the common border between Argentina, Brazil, and Paraguay.

The minister — who, on behalf of his country, has just signed an agreement with Argentina and Paraguay in Buenos Aires to "stabilize" the region — added: "This would constitute a threat because the terrorists who perpetrated the attack on the Israeli Embassy in Buenos Aires might have come from there."

Mafias, drugs, terrorism, money laundering, and arms trafficking. All this converges at the border area shared by Brazil, Argentina, and Paraguay. The agreement recently signed addresses problems in three sensitive cities, namely, Foz do Iguacu, Puerto Iguazu, and Ciudad del Este. Jobim summarizes: "We have many problems there."

[Gossman] What measures do you intend to adopt?

[Jobim] We intend to undertake a major joint operation in the region. We are very much aware of the fact that there are illegal Korean and Arab immigrants who move around from one of these cities to the other. Precisely on account of their illegal status, these people become easy prey for mafia groups. A proposal put forward seeks to regularize this situation, declare a sort of amnesty and a conduct a census. We also have information, albeit not confirmed, on a Chinese mafia — possibly a Taiwanese one — that is also operating in that region. In sum, the idea is to stabilize the region, particularly in the light of the movement in Ciudad del Este, where firms have an annual turnover of $30 billion. Ciudad del Este thus ranks third in the world after Hong Kong and Miami.

[Gossman] Does Brazil have plans to combat drug trafficking?

[Jobim] We are planning to undertake a joint operation between the Federal Police, the Army, and the Air Force to combat drug trafficking, which will particularly focus on the Amazon region in the border areas near Venezuela, Colombia, and Peru. Action will also be taken to destroy marijuana plantations in Pernambuco and Bahia.

[Gossman] Does the Brazilian Government know which drug cartels operate in Brazil?

[Jobim] We have not identified them yet. Nevertheless, we have information about a new pattern of behavior among drug traffickers, who enter Brazilian territory from Colombia and Venezuela and stay here. Hence the importance of the Sivam [Amazon Region Surveillance System] project, (which contemplates the installation of radars and satellite tracking).

Argentina: Military Urged To Keep Calm on Anniversary

PY2303021896 Buenos Aires TELAM in Spanish 2003 GMT 22 Mar 96

[FBIS Translated Text] Buenos Aires, 22 Mar (TELAM) — Army Chief Lieutenant General Martin Balza today recommended that his subordinates be prudent, serene, and maintain the balance on occasion of the acts scheduled to repudiate the 24 March [1976] military coup and the possibility of "acts of provocation."

The Army chief send a radiogram reiterating the institution's respect "for pluralism and freedom of expression."

According to military sources, Balza send a radiogram to all Army units and organizations in the country discussing the institutions' security in view of possible acts of provocation.

The text of the radiogram says: "In view of the possible occurrence of undesirable situations on 24 March we recommend a prudent, balanced, and serene attitude."

The message adds that "the Army respects the freedom of expression and pluralism in effect in our society as a basic norm of coexistence."

Balza said that "as long as our behavior stays within regulatory and legal margins in what refers to aspects of self-protection we will again show our maturity beyond the behavior that might have people interested in disturbing the mature and close Army coexistence with our citizens."

Argentina: Minister Confirms Security for Protest Act

PY2303030496 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2011 GMT 22 Mar 96

[FBIS Translated Excerpt] Buenos Aires, 22 Mar (NA) — Interior Minister Carlos Corach reiterated today that "for [human rights advocate] Hebe de Bonafini, like it

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or not," the Federal Police will guard the festival that human rights organizations will stage at Plaza de Mayo tomorrow to repudiate the 24 March 1976 military coup.

The official stressed the "strong refusal of Hebe de Bonafini" to work out security measures for the festival with his portfolio. The event will start tomorrow night.

Corach said that Bonafini's attitude "is incomprehensible, unless she has the political need of a provocation to create victims that can be used for political purposes."

"We will not permit this to happen," Corach stressed in a news conference and in remarks to a radio station. The minister said that his department "will fulfill its duty and will see that all acts are carried out in peace and in the hope that there will not be any provocations." [passage omitted]

The minister called on the media to film and photograph the events, stressing that the Interior Ministry "will guarantee the behavior of the police." [passage omitted]

Argentina: Ministerial Positions Seen Threatened

96SM0163A Buenos Aires CLARIN in Spanish 10 Mar 96 pp 18-19

["Political Panorama" Column by Eduardo Van der Kooy: "On the Ropes"]

[FBIS Translated Text] The scope of Menem's power is broader than ever. This explains why he pulled rank with Cavallo. The minister was in no political position to fight back and chose to retreat and remain silent. The incident with Great Britain over fishing left Di Tella looking bad. So did his brashness. Are his days numbered?

A long-standing partnership in the Menem cabinet is in trouble.

Rarely had Domingo Cavallo been treated so harshly by Carlos Menem, as he saw his friend Haroldo Grisanti ousted and gave up certain powers that he had previously defended at all costs. Guido di Tella is watching his Malvinas policy totter and was forced to convey a message that the president never wanted to hear: "There is no possibility of visiting London," he reported after the fishing incident with Great Britain off the South Georgia Islands. The economy and foreign affairs ministers had built a solid relationship of mutual interests over the past several years. Cavallo found that Di Tella was his almost sole ally during the crisis with Menem in August of last year, which for a few brief instants left him with one foot outside the government. Di Tella always let Cavallo have the high-profile areas of foreign policy, particularly ties with the United States, Mercosur, and the European Union. Cavallo enthusiastically supported Di Tella's political overtures and "and his extravagances" in connection with the Malvinas. They wound up making the same enemies. They crossed swords with Eduardo Menem. They disagreed with Raul Granillo Ocampo, had a falling out with Carlos Ruckauf (Cavallo more openly than Di Tella), and "for different reasons" had Oscar Camilion in their crosshairs.

Each is now suffering adversity in solitude. Never in all these years has Cavallo seen his wings clipped so suddenly or severely, though this has not damaged his core political status. And never has he displayed such a mild, controlled reaction. It was not just Grisanti's departure and the new powers given to Bauza ("which is the same as saying Menem") with the creation of the Communications Secretariat. Labor leader Luis Barrionuevo renewed his charges against the minister, and the president appeared alongside Eduardo Angeloz when the former Cordoba governor blamed Cavallo for the accusations about purported illicit enrichment.

The economy minister assumed that he could start a subtle tug-of-war with Menem once the Federal Judiciary upheld the prosecution of the former post office chief. He did not oust him immediately, anticipating negotiations with Menem on the appointment of a consensus replacement. Somewhere his calculations went wrong. The president first imposed a view that was hard to rebut: there was no reason for Grisanti to remain in his post any longer while being prosecuted (around one week), since the former secretary of the battle against drug trafficking, Gustavo Green, had stepped down just hours after a judge from Moron had handed down the penalty against him. He also noted that Cavallo was not in the best political position now to wage a battle for the post office. Let's take a look why.

The minister was about to travel to the United States on a trip that was crucial to keep the convertibility plan alive with outside oxygen. His most recent public outbursts, "such as when his tax situation and net worth were leaked," seem to have eroded society's trust in him, as the recession and unemployment continue to wreak havoc. His image tarnished and with the economy weak, the minister looks very much like the emperor with no clothes. Had he stormed out under those conditions, it would have meant an automatic end to his political designs.

All of these factors "and several others" explain why the president pitilessly pulled rank on his minister. He may never again enjoy such a moment, not just vis-a-vis Cavallo but also in terms of his undisputed monopoly over the general picture, as the opposition

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has not managed to put his power in the shade after the confusion that Jose Bordon's departure caused there.

The president continues to make the most of the Olivos Pact that he signed with Raul Alfonsin. There do not seem to be any obstacles worth mentioning. After turning a deaf ear to the uproar from the Radicals, the Menem faction is on the verge of dominating the Council of the Magistracy that will appoint the country's judges in the future. So why tolerate challenges from a minister? Why accept from within the administration annoyances that the opposition isn't even causing him? These seem to be the questions for which the president had logical answers. One particular incident, though, was probably the final straw. The praise that U.S. Secretary of State Warren Christopher voiced for Cavallo on 29 February, calling him a "hero," presumably aroused a desire for vengeance in the president, who was determined to show where the axis of power lies in Argentina. None of this means, however, that Menem is on the verge of dismissing his economy minister. The administration has not resolved the permanent problem of a successor to him, nor does it have anything other than the current economic plan to offer society. But one day Menem wants to have an unassertive minister who is like most human beings, in other words a Cavallo who is not that different from Camilion or Carlos Corach, for example.

This is truly an impossible dream. Cavallo managed to make stability the driving political force of this administration and, therefore, felt more responsible for its successes than other officials did. He also won foreign support, "which he retains" as no other Argentine economy minister ever has. His retreat thus has more to do with circumstances than with his true desires. He held out for a favorable solution to the Grisanti case until the very end but did not even grimace when Menem lowered the boom. "These are matters for the president," he repeated robot-like in Buenos Aires and New York. He also stopped Grisanti from appearing on TV Thursday evening, to prevent any comments by him from stirring up trouble. In a restrained reaction, he decided that no member of his team should, as a constitutional assembly delegate, back the mayoral candidacy of Jorge Dominguez. He is just waiting for the economy to recover, something that "is still far from happening," to reassess his situation: either he will again become what he once was or he will start working on his plans outside the administration.

His friend the foreign minister is not doing much better. His policy toward the Malvinas Islands has begun to spring a leak long before he imagined it might "and once again owing to a British decision."

A single issue often determines the fate of a minister. Di Tella chose some time ago to bank solely on the negotiations for the archipelago. His decision was motivated partly by personal preference ("the foreign minister truly feels very 'British'") but mostly by political speculation: he knows that behind some resounding success in the Malvinas the president is harboring some lingering hope of being reelected once again.

The goal would not seem to be exactly within reach. Building on the legacy that Cavallo left him as foreign minister, "the resumption of relations with London, which indisputably yielded benefits for Argentina," Di Tella designed a three-point plan for negotiations on the Malvinas: 1) "sovereignty protected by an imaginary umbrella agreed on by Great Britain and Argentina after ties were reestablished"; 2) joint oil exploration in the Malvinas; and 3) "fishing accords in the disputed zones." Sovereignty was at the very least tarnished when the government and London decided to sign an oil-exploration agreement with debatable demarcations, in an effort to ease pressure from the kelpers, who were threatening a unilateral call for bids. And no sooner had the government proposed intensifying the fishing talks than Great Britain hastily demanded a levy on any Argentine vessels operating in the disputed waters.

These developments exposed some of the weaknesses of his foreign policy, which "on this issue" seemed driven more by domestic-policy considerations than the national interest. The attempts to win over the kelpers were of no use, nor were any of the other recourses that the foreign minister tried. Di Tella's only response to Britain's decision in the Georgias was to file a formal protest, but he lacked a collective political instrument on the world chessboard.

When the possibility of pushing for a denunciation in the United Nations was raised, the stark truth was revealed: Argentina today does not seem to be in a position to bring together the majority that it marshaled there in the past. The way in which the country left the Nonaligned Movement has something to do with this, "not the decision itself." Our repeated moves in opposition to the region's interests also had something to do with it. Episodes such as the clandestine sale of arms to Ecuador while it was at war with Peru last summer had more influence "than was assumed." The often perplexing actions of the foreign minister himself could have had an impact too. For example, he gave a remarkable speech at a London seminar in February, telling a varied audience that Argentina is part of Latin America "solely owing to geography." His pearl-laden remarks during the dinner in honor of Warren Christopher jangled the nerves of several ministers "and of General Martin Balza as well." He vindicated the Roca-Runciman Pact (1933)

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and Argentina's belonging in the past "to the British empire." He made amends to our visitor by stating that Argentina and the United States are in agreement on 95 percent of issues. "And I would not care to explain what the other five percent is," he concluded.

Because of such remarks "and because of his political presumptions" Di Tella no doubt left himself open to the hail of criticism brought on by the new incident in the Georgias, criticism that did not come solely from the opposition. Several ruling-party senators did not treat the foreign minister cordially either during his report on the week that was. Concern surfaced even in the highest echelons of the government, as the foreign minister's situation was brought up during a conversation among Bauza, Eduardo Menem, and Eduardo Duhalde. Objectively speaking, his situation does not look promising, since he is being criticized from both within and without and not even his best buddy, Cavallo, can guarantee him a bulletproof haven any longer. No one is predicting his immediate demise. But Di Tella no longer seems to have an open-ended political future.

Bolivia

Bolivia: Burton's Cuban Policy, Coca Plan Criticized

PY2203161096 La Paz PRESENCIA in Spanish 16 Mar 96 p 2

[Article by David Boutier Arze: "Brothers to the Rescue and... Burton on the Attack"]

[FBIS Translated Text] The Clinton government, incited by Cuban exiles living in the United States and by Republican and Democratic congressmen, has demonstrated false zest — bordering on wrath — in the "defense" of International and Human Rights when it acidly condemned a clearly defensive act by Fidel Castro's government.

Even though it involved unarmed civilian planes, the infringement of international flight rules and regulations and the trespassing of Cuban air space without authorization constitute a violation its territorial sovereignty. One should also remember that the planes took off from a territorial power that has declared its hostility toward Cuba and its government, and the pilots were warned not only just before they were downed but also over the past few months after it was made known that Brothers to the Rescue were repeatedly and unlawfully overflying Cuban territory.

Yet the most hair-raising event came later. Just two weeks after energetically condemning that "outrageous act," and a week after approving an abusive law against Cuba that violates every known international principle — a law that strengthens the embargo against Cuba in order to "lead it toward democracy" — a crazy Republican congressman called Dan Burton suggested that the drug trafficking problem could be eliminated "in a couple of weeks" by bombarding coca plantations — especially those in Bolivia — with herbicides.

The point of this insane recommendation is that it seeks to legitimize a provocative action like flying over Cuban territory, and which Burton now intends to repeat in an official manner against our country through the use of his country's Air Force — without considering that here in Bolivia we have laws and legal authorities and that our territory is also sovereign and inviolable.

It seems the United States, despite the global changes of the past decade, refuses to abandon the theory "that is its destiny" to put Cuba "in its place" and to demonstrate that Bolivia and the Andean countries are mere colonies in which it can do whatever it pleases.

What will the U.S. Government say now about Bolivia's firm decision not to allow its territory to be contaminated with herbicides? Our readers can now see where those who violate international laws and the rules of international coexistence stand.

It is evident that an educational reform is not only necessary in Bolivia but also in the world's top power. The proposal to anchor warships off the Bolivian coast, as Burton proposed — thus showing his ignorance of the fact that our country has no coastline — from which to destroy the coca plantations says it all about the educational system in the United States; It is clear the person in question has never seen a political map of South America.

Bolivia: Political Parties, Corruption Charges Viewed

PY2203211996 Santa Cruz EL MUNDO in Spanish 8 Mar 96 p A5

[Editorial: "The Political Parties and Corruption Scandals"]

[FBIS Translated Text] It is no secret to anyone that the country is suffering from a political, social, and economic crisis; that the difficulties, at every level, are becoming much more serious; and that the measures and laws that have been approved by this government are being thwarted by a few intransigent people despite the fact that these measures and laws are effective, revolutionary, and necessary. Moreover, other difficulties are emerging that are affecting the moral fiber of the institutions: The charges of corruption that have seriously affected the powers of the state, in

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addition to alleged irregular events that have come to light regarding the origin of monies that nurture the existence, campaigns, and proselytism of the political parties.

An atmosphere of doubt has been created regarding the honesty that should exist with the powers of the state and in the national leadership of the political parties without anyone daring to prevent it. On the contrary, more and more charges are emerging every day, and the fragile confidence, or crisis of confidence, that these events have provoked makes it much more difficult to find a solution to our national problems.

Since October 1982 hope has been centered on Congress, the first power of the state, a hope that it would be the pillar of democracy and that its actions would be responsible and crystal clear. Regrettably, however, whether due to a lack of congressional traditions or a lack of ethics, or due to the incapability of the majority of the senators and deputies, who were "handpicked" by their chiefs, and who have not yet become aware of what freedom and democracy mean, they have done very little to seek paths that will permit a more coherent, constructive, and dignified reality for all Bolivians.

Party politics in our country have nearly always been characterized by their sordidness, or by the tendency to be self-serving rather than oriented toward serving the country. The periods in our republican existence during which the parties have acted in accordance with the common welfare and the development and strengthening of the country have been very few and far apart. The greedy interests, the group or personal conveniences, or the actions that do not comply with honesty and corrective actions are the factors that have prevented service with full awareness and with a constructive purpose.

Due to the monies that have been handed to the MNR [Nationalist Revolutionary Movement] during the past few days, charges of another type and threats have emerged from the official sector to establish the real motives regarding the funds that each party administrates. The country's president himself, who is also the president of the MNR, has not been able to put his own party in order, and he has asked the congressmen to take constructive action. However, on viewing the current panorama, it seems that any type of initiative always arrives too late. The country is on the verge of very important events that will surely only harm Bolivia's image, and they will place institutionalism in danger. Therefore, it will be necessary for the official and opposition parties to act with discretion and responsibility in order to avoid even worse events for which the country will have to pay.

Bolivia: PRC Consul General on Conflict With Taiwan

PY2203171296 Santa Cruz EL MUNDO in Spanish 16 Mar 96 p a18

[FBIS Translated Text] Xi Zengjui, the PRC consul general in Bolivia, has indicated that his country supports the peaceful reunification with Taiwan "provided its authorities acknowledge that there is only one China." If Taipei were to declare independence "we would resort to force to recover that loss of territory."

He added that relations between Taipei and Beijing "have been tense during the past few months due to the interruption of contacts and due to the visit of the so-called president of Taiwan to the United States as though it was an independent country and not as a province of China."

The consul said the military exercises that troops of his country are carrying out in the Taiwan Straight are routine military maneuvers to strengthen national defense.

An ANSA item indicates that the two Chinas have always disputed the legitimacy of their states: Beijing sees Taiwan "as a rebel province, while Taipei, which has never formally declared its independence, supports a reunification with continental China if and when the Communist regime implements substantial reforms."

The PRC consul maintains: "They call themselves a sovereign state, which is not true because from time immemorial Taiwan has been a part of Chinese territory, and in modern times this continued even though Holland and Japan occupied it for some time."

He added that in accordance with international agreements, Taiwan should have been reincorporated into the PRC after World War II, "which is proof it is not a sovereign country."

Xi Zengjiu indicated that with the conclusion of the democratic revolution in the PRC in 1949, the government that was repudiated for its antipopular policy escaped to Taiwan, where it established its government. "Although that government has been installed for a long time, it is not a legal government because it is the result of a civil war," he emphasized.

ANSA reports that with all these conflict and tension the people of Taiwan will go to the polls on 23 March in the first direct election for a chief of state since 1949, when the national regime of Chiang Kai Shek installed its government.

The Chinese consul indicated that the UN approved a resolution that establishes that Taiwan is Chinese; in

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addition it was expelled from the UN and the PRC occupied its place.

Bolivia: COB-Sponsored General Strike, Police Repression

PY2203145296 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 22 Mar 96

[FBIS Translated Excerpt] As a result of the mobilization sponsored by the Bolivian Labor Federation [COB], the COB has reported five injured people and six detainees. The hunger strike involves 80 pickets with more than 700 hunger strikers.

We have more information and data in this report by Rogelio Pelaez. Good morning, Rogelio. Go ahead, please.

[Begin Pelaez recording] Thank you. Good morning. Although there were not many of them, the workers reached the San Francisco Square yesterday and were repressed by police. Despite this, the participants called for the resignation of Capitalization Minister Alfonso Revollo Tennier. The demonstration came at noon yesterday. The demonstrators protested against injustice, and repudiated the corruption within the government. [passage omitted] [end recording]

Police Lieutenant Colonel Carlos Mena was the officer who yesterday triggered this excessive repression against a small group of trade unionists participating in a COB-sponsored protest.

In a style typical of violent television characters, Mena chased, at full speed, four workers. As he closed in on them, he jumped on them as one would jump into a swimming pool, knocking one of the workers down and capturing him.

The few demonstrators present told journalists that it was also Lieutenant Colonel Mena who, a few weeks ago, stormed through a demonstration of Chaco War veteran widows.

Shortly before Mena's spectacular act, which colored an otherwise dull day of trade union protests, a small group of urban education workers, university workers, and health workers gathered at the San Francisco Square. They were harassed by police who fired rubber bullets into the air and were threatened by police dogs.

Brazil

Brazil: Kantor's Visit Called 'Highly Significant'

PY2203133596 Rio de Janeiro JORNAL DO BRASIL in Portuguese 21 Mar 96 p 8

[Editorial: "New Dialogue"]

[FBIS Translated Text] Although partially overshadowed by the fallout surrounding the CPI [Congressional Investigating Committee] on banks, the visit to Brasilia by U.S. Trade Representative Mickey Kantor has been highly significant because it has eased dialogue between the two countries.

Known for his steadfast defense of free trade and intellectual property rights and for having masterminded sanctions against countries suspected of engaging in protectionism and "piracy," Kantor came to tell us that the new Brazilian patent bill could lead the United States to revise trade barriers imposed on Brazilian products such as steel, orange juice, gasoline, and poultry.

Kantor went as far as to praise the approval of the bill which, in addition to protecting Brazilian researchers abroad, removes the main hurdle preventing technological transfer to Brazil. His visit is important because the 56-year-old Californian attorney is a personal friend of President Clinton and served as his electoral campaign manager in 1992. Clinton appointed him as head of the powerful USTR office, which heads U.S. foreign trade and is directly linked to the White House.

The USTR office, which was created by President John F. Kennedy in January 1963, has had a ministerial level since 1974. In 1985, the USTR gained greater powers when Congress approved a law known as Super 301, which entrusts the USTR with the mission of imposing sanctions on countries engaging in trade practices considered unfair or unjust.

It is significant to note that the mere approval of the patent bill by Brazil has worked the miracle of forcing a U.S. foreign trade "hardliner" to take a defensive position in Brasilia. For instance, at the National Confederation of Industry, Kantor was reminded that while U.S. exports to Brazil grew by 121 percent between 1989 and 1995, Brazilian exports to the United States showed mediocre results during the same period. He also heard complaints about the 90 percent surcharge imposed on Brazilian steel products.

Reaffirming that the United States is the world's most open country in terms of trade, Kantor was forced to hint at greater access by Brazilian products into the U.S. market through a reduction of trade barriers, which could be negotiated on a case-by-case basis. Nothing

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works like the tools of liberalization to convince a stalwart of liberalization.

Brazil: Cardoso's Meeting With Lithuanian President

PY2303032296 Sao Paulo GAZETA MERCANTIL in Portuguese 20 Mar 96 p 4

[Article by Renata Verissimo in Brasilia]

[FBIS Translated Text] President Fernando Henrique Cardoso received Lithuanian President Algirdas Brazauskas at Itamaraty Palace on 19 March to discuss ways of expanding trade relations between the two countries. From January to November 1995, Brazilian exports to Lithuania totaled $383,000 and imports from that country totaled $1.76 million.

Lithuania is in the process of joining the WTO and, according to Itamaraty (Brazilian Foreign Ministry headquarters), Brazil can lend Lithuania some help in this process because of its "broad experience in the GATT as well as in the WTO." Lithuania has also formally requested its admission into NATO and has joined the Partnership For Peace Program. Lithuanian soldiers will participate in the NATO forces based on Bosnia-Herzegovina. The Lithuanian Government has also signed an association accord with the EU. "Lithuania sees its integration into West Europe as a guarantee for its survival," the Itamaraty press officials said.

In the meeting, the two presidents also talked about Lithuania's independence from the former Soviet Union. "The most important thing for us is to be internationally recognized. We want to ensure our national sovereignty," Brazauskas told Cardoso. The president pointed out that Brazil recognized Lithuanian independence in 1990 and that the largest Lithuanian colony in Latin America is in Sao Paulo. "You may remain clam, because we know very well where Lithuania is located," Cardoso said.

This is the first visit to Latin America by a Lithuanian president since the country's independence six years ago. Brazil established diplomatic relations with Lithuania in 1991 and 1993 the Brazilian Embassy was established in Vilnius. After Brazil, Brazauskas will visit Venezuela, Argentina, and Uruguay.

Brazil: Cardoso Seen Granting Favors in Exchange for Votes

PY2203191196 Sao Paulo FOLHA DE SAO PAULO in Portuguese 21 Mar 96 Section 1 p 5

[FBIS Translated Excerpt] President Fernando Henrique Cardoso has been promising favors in exchange for votes in favor of aborting the CPI [Congressional Investigating Committee] on banks and passing the social security reform bill.

Sao Paulo Mayor Paulo Maluf of the PPB [Brazilian Progressive Party], and Senators Jader Barbalho (PA) [Para] and Gilberto Miranda (AM) [Amazonas] of the PMDB [Brazilian Democratic Movement Party], appear to be the main beneficiaries of these favors.

Maluf succeeded in convincing Cardoso to have the federal administration assume a 3.336 billion real debt of the Sao Paulo City Government to some banks.

PMDB lawmakers also profited from this operation. FOLHA found out that Miranda and Barbalho obtained the administration's commitment to get the Federal Revenue Secretariat to suspend its inquiries into their accounts. [passage omitted]

Last night, Cardoso was already celebrating the shelving of the CPI. The Senate Constitution and Justice Committee will approve a proposal by rapporteur Elcio Alvares (PFL-ES) [Liberal Front Party-Espirito Santo] [rapporteur's name as published] on the grounds that the CPI would be unconstitutional. [passage omitted]

Favors have also been granted in exchange for votes for the social security reform bill. The Rondonia bloc of deputies have secured funds to repair the BR-364 highway. While efforts were under way to shelve the CPI on banks, the administration announced a package to rescue the Bank of Brazil.

Brazil: General Responsible for Intelligence Bill Fired

PY2203165196 Sao Paulo AGENCIA ESTADO in Portuguese 0105 GMT 22 Mar 96

[Report by Tania Monteiro]

[FBIS Translated Text] Brasilia, 21 Mar (AE) — President Fernando Henrique Cardoso today dismissed General Fernando Cardoso, who is in charge of drafting a proposal to create a new intelligence system, from his post as special adviser to the presidential secretary general. Gen. Cardoso, who served as military household chief under the Itamar Franco administration, frontally clashed with his direct supervisor, Presidential Secretary General Eduardo Jorge Caldas Ferreira, because he did not agree with the intelligence service model Caldas Ferreira wants for the country. The secretary general wants an intelligence service free of political influence, and that would supply strategic information only to the president.

Eduardo Jorge wants to ensure the future Brazilian Intelligence Service (Abint), which will be created through a bill to be approved by Congress, does not

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resemble in any way the much feared — now defunct — National Intelligence Service (SNI). He wants a "light" [preceding word in English] intelligence service that would limit its actions to supplying the president of the Republic information obtained through legal means, without meddling in affairs outside its jurisdiction. He does not endorse, for instance, the practice of wiretapping phones — which was widely used by the SNI — to obtain information.

Gen. Cardoso has felt slighted since the advent of the Cardoso administration. He was not happy with being subordinated to Caldas Ferreira. He believed that, in light of its being a strategic area, the head of the intelligence area should report directly to the president of the Republic. Furthermore, he believed the president should be informed about political problems he is likely to face.

For instance, Caldas Ferreira believes that Planalto Palace should merely follow a strategy regarding the case of the Landless People's Movement. Various intelligence services have already been involved in this area, namely the Strategic Affairs Secretariat under the previous administration; and the Armed Forces intelligence services. He opposes the possibility of infiltrating agents within the movement of landless farmers to obtain information.

Brazil: Cardoso 'Happy' Over Victories in Congress

PY2203164596 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 22 Mar 96

[FBIS Translated Text] Presidential Spokesman Sergio Amaral has stated that President Fernando Henrique Cardoso is not considering a cabinet reshuffle. Commenting on charges that President Cardoso promised posts within the administration in exchange for votes to approve the social security reform bill and to reject the installation of the CPI [Congressional Investigating Committee] on banks, Amaral stated that these charges have not been substantiated and are, therefore, groundless.

Following the two victories he obtained yesterday in the Chamber of Deputies and the Senate, President Cardoso last night met at Alvorada Palace with PSDB [Brazilian Social Democracy Party] governors to evaluate the current political situation. He met with Ceara Governor Tasso Jereissati, Minas Gerais Governor Eduardo Azeredo, Sao Paulo Governor Mario Covas, Rio de Janeiro Governor Marcello Alencar, Sergipe Governor Albano Franco, and Para Governor Almir Gabriel. PSDB President Artur da Tavola, who also attended the meeting, said President Cardoso was extremely happy.

[Begin recording] President Cardoso is extremely happy. He believes yesterday was an important day on which the political base of his alliance was clearly reorganized. It became clear that Congress is following a progressive line, that it is truly willing to support the reforms, and that all that is needed is a few adjustments. [end recording]

Da Tavola noted that during their meeting President Cardoso received several telephone calls from people voicing support for his victories in the Congress. Regarding relations with those lawmakers who voted against the administration, Da Tavola said that, in politics, winners should try to avoid fights.

Brazil: Meat Exporters Seen Benefiting From UK Malady

PY2303012896 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 22 Mar 96

[FBIS Translated Text] The government will not adopt any emergency measure to protect Brazilian cattle from the disease that is affecting UK cattle. Brazil banned UK meat imports many years ago, a decision that has now been made by several European countries.

The last time Brazil imported UK meat was in 1989.

(Inacio Affonso Quercia), director of the Department of Animal Protection of the Agriculture Ministry, explained that meat meal is one of the ways though which the disease — known as mad cow disease — is transmitted. Meat meal is not used for feeding cattle in Brazil.

The disease is fatal. It causes degeneration of the nervous system, giving brains a spongy appearance, and killing animals. Contaminated men suffer the same symptoms.

Agriculture Minister Eduardo Andrade Vieira said that the problem affecting UK meat can indirectly benefit Brazilian meat exports to the European market.

The minister made this remark upon learning that five European countries suspended the importation of UK meat because of the disease, which can be transmitted to humans, killing them.

Brazil: Roundup of Economic Reports Through 22 Mar

PY2203204096

[FBIS Report] The following is a compilation of reports on economic activities in Brazil monitored through 22 Mar:

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Basic Leading Indicators

Rio de Janeiro Industrial Sales Figures — Industrial sales in Rio de Janeiro State last February increased by 0.9 percent in comparison with February 1995. This is a surprising figure because Brazilian economy was at its peak production following the Real Plan in February 1995. Industrial production, however, dropped by 0.46 percent in comparison with last January. This was reported by the Rio de Janeiro Industrial Federation, Firjan. Sales increased mainly thanks to the replenishment of stocks after Christmas sales which improved after the government softened the consumer credit restrictions. Sales most increased among the clothes, shoes, and plastic sectors. Employment however, dropped by 0.2 percent in February in relation to January, with the closing of 1105 jobs. During the first two months of the year the employment rate in Rio de Janeiro dropped by 9.6 percent in comparison with the same period last year. The Firjan reports that 56,000 industrial jobs were closed down between May 1995 and February 1996. (Sao Paulo AGENCIA ESTADO in Portuguese 2252 GMT 18 Mar 96)

Company Profits — The second best result of net equity profits since 1990 were registered in 1995. This means that 90.85 percent of 20 industrial sectors studied by Economatica consulting company showed positive profit results. The study, which is based on 260 companies, confirms the sudden improvement of the economic performance among certain sectors as result of the economic stabilization program. It is therefore still a risk to assert the following profitability performance as a definitive trend.

Net equity profits according to sectors were as follows in 1995: Beverages: 25.16 percent; commerce: 19.21 percent; house appliances: 17.5 percent; electronics: 14.03 percent; paper and cellulose: 13.76 percent; food: 11.38 percent; banks: 11.34 percent; chemical: 9.16 percent; fertilizers: 8.75 percent; metalworks: 5.84 percent; lumber: 5.58 percent. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 20 Mar 96 p B6)

Bicycle Industry Performance — Bicycle imports from the PRC, Taiwan, and India tripled their participation in the Brazilian market in the past three years. Brazilian bicycle sales in 1995 amounted to 3.5 million units, 2.3 million of which were imported. The figures were provided by the Brazilian Bicycle Industry Association, Abraciclo. According to Bruno Caloi, owner of one of the largest bicycle factories in Brazil, importers bring in dismantled bicycles as if they were components paying only a 16-percent import tariff and avoiding the 62-percent import tariff. Since import tariffs are scheduled to drop to 20 percent in April, Brazilian bicycle companies will face serious problems by then. In 1995 alone, jobs in the bicycle industry dropped from 5,500 to 4,100. Caloi admitted, however, that industrial automation was also partly responsible for this. (Sao Paulo AGENCIA ESTADO in Portuguese 2128 GMT 20 Mar 96)

Textile Industry Performance — The trade balance of the textile industry passed from a $900 million surplus in 1992 to a $845 million deficit in 1995 as consequence of the massive import of fabrics and clothes mainly from Asia. A recent study by the National Bank for Economic and Social Development, BNDES, points out the need for an $8 billion investment in the textile industry to guarantee its competitiveness. In the past two years the national market was flooded with imported synthetic fabrics and low-priced clothes. The most direct consequence of that process was the closing down of 800 factories in Americana, Sao Paulo, and the lay off of 20,000 workers in the region. Synthetic fabric imports increased from $67 million in 1993 to $386 million in 1995. According to the BNDES, the lack of competitiveness of Brazilian industries is a consequence of the age of its textile machinery which is on the average 16 years old. There are 3,700 textile factories and 14,700 clothes manufacturers in Brazil, most of which are small and medium-sized companies. Large companies like Coteminas and Vicunha are technologically updated and competitive, but the smaller ones have little chances to survive. The BNDES has lent the textile industry $352.4 million in the past few years, $92 million of them in 1995 alone. The BNDES reports that the textile industry still contributed with $23 billion to the GDP in 1995 despite imports. Textile industries, however, laid off 53 percent of their workers between 1989 and 1994. The textile industry nonetheless employed 512,000 workers in 1995, 1,390 workers in clothes factories and 510,000 others in textile mills. (Sao Paulo GAZETA MERCANTIL in Portuguese 20 Mar 96 p A1 A4)

CSN Steel Company Profit Figures — The National Iron and Steel Company, CSN, registered 107.3 million reals, R, net profits in 1995 which is 32.8 percent less than in 1994. The company suffered the consequence of a lower internal demand and of an accident with its No. 3 furnace. CSN market relations manager Jose Marcos Treiger pointed out some positive results: The increase in sales of value-added products; a greater share of the domestic market; and greater individual production. In 1995 the CSN produced 4.47 million metric tons of liquid steel, that is 3.6 less than in 1994. Sales amounted to 3.921 million metric tons of steel in 1995. The company is currently operating at 100 percent of its capability producing 4.6 million metric

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tons of steel per year. Gross sales in 1995 amounted to R2.562 billion of which R1.974 billion corresponded to the domestic market and R588 million were exports. (Sao Paulo GAZETA MERCANTIL in Portuguese 20 Mar 96 p A1 C4)

Production of Electronic Appliances Increases — The production of electronic equipment increased by 22.26 percent during the first two months of the year in comparison with the same period last year, according to the National Association of Electronic Manufacturers, Eletros. The best results were registered by the television factories which produced 497,700 televisions in January and 556,700 in February. Sales of Brazilian-made portable house appliances, however, hardly increased on account of the competition of imports, despite their high-import tariff. This has led businessmen to ask the government not to lower the import tariff to 20 percent in April but to 35 percent, which they consider reasonable to protect domestic industry. This is not the case with the rest of the electronic products for whom Brazilian factories demand a gradual reduction of their import tariff. Video and hi-fi producers want to maintain the 62 percent import tariff this year, reduce it to 53 percent on 1 April 1997, to 44 percent in 1998, and 35 percent in 1999, as foreseen in the agreement signed with the WTO. This petition reflects the businessmen's insecurity regarding the future of the Manaus Free Zone where these kinds of industries are located. These businessmen fear that a tax reform will eliminate the fiscal incentives for the region. White line electric appliances do not need the same protection because they are relatively safeguarded by the difficulty of their transportation. (Sao Paulo AGENCIA ESTADO in Portuguese 2343 GMT 21 Mar 96)

Financial Operations

Cellular Telephone Bid Called — The Sao Paulo Telecommunications company, Telesp, has called to a public bid for the installation of 80,000 cellular telephones in Judiai, 60 km from Sao Paulo. This is the first bid for cellular telephone services since 1992, and Telesp estimates a maximum price of $96 million for the equipment. Telesp reports that this year it will call to bids for 1 million cellular telephones which will be distributed among all Sao Paulo municipalities. The bid calling of the Telebras system indicates that the market dispute among international cellular telephone suppliers will now begin. The dispute for the new contracts will involve giants like AT&T from the United States, Ericsson from Sweden, NEC from Japan, and Nortel from Canada. (Sao Paulo AGENCIA ESTADO in Portuguese 1854 GMT 19 Mar 96)

Japanese Financing for Petrobras — Petrobras, Brazilian Petroleum Corporation, has signed a protocol of intent with a Japanese consortium made up of Mitsui and Marubeni companies, to finance a new oil refinery that will be built in northeastern Brazil. The refinery, which will produce 200,000 barrels of oil by-products per day, is worth $1.5 billion. The protocol is meant to ensure resources for the construction of the refinery whose location is object of a political dispute among the northeastern states. Although the contract details are not yet known, it is known that beside Mitsui and Marubeni, which play a leading role, the consortium is also made up of Mitsubishi, Sumitomo, Tomei, and C. Itoh. Petrobras intends to attract Brazilian investors, especially pension funds. (Sao Paulo AGENCIA ESTADO in Portuguese 2119 GMT 19 Mar 96)

Fiscal, Monetary Issues

Pension Funds Investments — According to the Brazilian Association of Private Pension Funds, Abrapp, Brazilian pension funds administer $59 billion, which is equivalent to 10 percent of the GDP. The average return in dollars of the 50 largest pension funds in 1995 was hardly 0.7 percent, while fixed income applications in dollars yielded a 30-percent profit. In reals, the pension funds profitability registered a 7.4-percent loss in relation to the inflation. In the past nine years, the real average annual profit in Brazilian currency was 1.6 percent, which is less than the 6 percent yielded by savings passbooks. In 1995 most of the pension funds were harmed by the negative performance of the stock exchanges in which the pensions funds invest an average of 30 percent of their assets in equities. The Sao Paulo Stock Exchange Index, Bovespa, registered a 16.5-percent drop in dollars in 1995. Taking into consideration the Getulio Vargas Foundation-100 Index which only envisages private company equities, the pension funds' loss in dollars was 44.2 percent. Since the favorite applications of the pension funds are the stock exchanges, many of them closed the year in the red. (Rio de Janeiro O GLOBO in Portuguese 18 Mar 96 p17)

Privatization

CRT Telephone Company to be Sold — The Rio Grande do Sul, RGS, administration has stepped up the process that could lead to the first privatization of a telephone company in Brazil. By the end of April, the RGS government must choose a consortium that will design the privatization model and price of 34 percent of the Riograndense Telecommunications Company, CRT. The consortium will present its work in 120 days, and then the RGS administration will publish a bid call to sell the CRT possibly by October. CRT is a closed company without shares listed in the stock

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exchange. Its total assets are worth nearly 2 billion reals, R. The control of the CRT is different from that of the rest of the regional telephone companies. The RGS administration owns 85.39 percent of the CRT, while the rest of the regional telephone companies are controlled by Telebras, Brazilian Telecommunications, Inc. RGS Mines and Communications Secretary Assis Roberto de Souza says that some of the international companies interested in purchasing CRT are Telefonica from Spain, Telecom from France, Stet from Italy, Bell Canada, and GTE and MCI from the United States. The objective of the sale of CRT is to raise funds for the state without losing control of the company and to bring in a strategic partner "to bring technological and financial participation" into the company, Souza said. He added that the CRT could be totally privatized as long as it represents investments in the state and if there is a demand. The National Bank for Economic and Social Development, BNDES, has already given that RGS administration 150 million reals in advance for the company's future sale of shares. The BNDES expects this will be the first mayor privatization in the telecommunications sector. (Sao Paulo AGENCIA ESTADO in Portuguese 1830 GMT 21 Mar 96)

Trade Issues

Joint Ventures in Mercosur — So far, 33 joint venture contracts have been signed since the creation of Mercosur, Common Market of the South, among Argentine and Brazilian companies. So far, 16 of these joint ventures are already operating and 17 others will soon come into operation. Such is the case of the Argentine company Zanella which associated with the Brazilian company Branco Automotores to build motorcycles and scooters in Curitiba. Naksta of Brazil signed a joint venture with Thomson Ranco of Argentine for transference of technology. Enxuta, a Brazilian house appliance factory, associated Yelmo of Argentina. Together, they will import Britania brand-name house appliances to cater to the Argentine market. The most common barriers to the joint ventures are the excessive tax burden, the lack of incentives or credit lines, transportation difficulties, lack of technical assistance, legislation, property rights, prices and the use of products outside the norms required in each market. Argentine-Brazilian Commerce Chamber Vice President Miguel Fragine believes that the essential points to increase business interest in the region is the government action to provide cheaper and more efficient utility services, and the modernization of ports. Transportation is mainly being carried out through highways precisely on account of the lack of port infrastructure. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 20 Mar 96 Merchant Marine Supplement p 6)

Chile

Chile: Insulza Announces Agreement To Join Mercosur

PY2303015396 Madrid EFE in Spanish 1914 GMT 22 Mar 96

[FBIS Translated Excerpt] Santiago, 22 Mar (EFE) — Chilean Foreign Minister Jose Miguel Insulza confirmed today that Chile will sign on 25 June the definitive agreement to join Mercosur [Common Market of the South]. Insulza said: "Chile wins and those not favored are only partially affected."

Insulza, who made comments to Chilean stations from the Chilean Embassy in Bogota, Colombia, said: "I am extremely happy." He added that a "good agreement" was reached but noted that there are still some points pending.

He indicated that everything is going "absolutely well for the country." [passage omitted]

Insulza pointed out that as in any negotiations, Chile yielded perhaps even more than expected but he considered this normal under this type of negotiations.

He added: "The benefit is for everyone. The first winner is Chile: its economy, its people, those who in some way are not being favored are only partially affected." [passage omitted]

Chile: Navy Chief on 'Subsistence Sovereignty' Sea Rights

PY2303030296 Santiago EL MERCURIO in Spanish 21 Mar 96 p C4

[Article by Hernan Cisternas]

[FBIS Translated Excerpt] Valparaiso — Navy Commander Admiral Jorge Martinez Busch said in Sweden on 20 March that the coastal countries should have sovereignty in the high sea that is adjacent to their exclusive economic zone, which is 200 miles from the coast, and which he termed "subsistence sovereignty."

Admiral Martinez said he was not proposing to change or ignore the current law of the high sea or make a territorial claim over an area which in Chile is called "contiguous sea."

He said that the idea is to define an area where "the actions of other states are causing some effect in the exclusive economic zone and in the territorial sea."

Admiral Martinez Busch made these comments during a lecture in the World Maritime University in Malmoe, Sweden, that was founded in 1983 by the International

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Maritime Organization, which is under the United Nations.

Admiral Martinez Busch explained the concept of the "contiguous sea" he is promoting and discussed the 1995 New York agreement.

He noted that the Chilean territorial sea is made up of the territorial sea (12 miles), the patrimonial sea or exclusive economic zone (200 miles), and the contiguous sea (the area adjacent to the exclusive economic zone), where different degrees of sovereignty can be exercised.

He also said that the high sea has a defined juridical status and that using that rule, the sea coast countries should be in it "exercising their presence to become a part of that juridical status and having something to say." [passage omitted]

Colombia

Colombia: Valdivieso Says Samper Statements 'Untimely'

PA2203122496 Madrid EFE in Spanish 0149 GMT 22 Mar 96

[FBIS Translated Text] Santa Fe de Bogota, 21 Mar (EFE) — Colombian Prosecutor General Alfonso Valdivieso today termed as "untimely" statements given by Colombian President Ernesto Samper, who said the Office of the Prosecutor General of the Republic has devoted its time to investigating his ministers instead of going after drug traffickers.

Samper, whom Valdivieso charged with illegal enrichment, being an accessory after the fact, perjury [falsedad en documento], and partiality in February, protested after the Office of the Prosecutor General of the Republic involved three of his ministers in the investigation for the infiltration of drug money in his 1994 electoral campaign.

The Office of the Prosecutor General of the Republic involved Interior Minister Horacio Serpa, Foreign Minister Rodrigo Pardo, and Communications Minister Juan Manuel Turbay — Samper's three most trusted persons — in the investigation on 15 March. They directed the Liberal Party's electoral campaign and must testify next week.

Valdivieso said: "Just as the Office of the Prosecutor General of the Republic has abstained from commenting on the government's actions, it is assumed that this office cannot be questioned due to the statements given by the government itself."

"The president does not have enough information on the progress of the proceedings against drug-trafficking organizations and those who comprise them; and I am sure he will be able to recognize the efforts exerted by the Office of the Prosecutor General of the Nation once he fully knows about those proceedings," Valdivieso stated.

He added that "institutional roles are guaranteed by respect for the separation of authority and the need for each of these branches to appropriately fulfill their responsibilities."

Ministers Serpa, Pardo — who requested vacations to prepare his defense — and Turbay do not rule out the possibility of tendering their resignation. Although they consider unfair their involvement in the so-called "narco-scandal," they admitted that they may go to prison.

Samper is being investigated by the Chamber of Representatives' Accusations Committee for the second time in six months, following the charges filed in February by Valdivieso, who considers there is enough evidence on the Cali cartel's contributions to the head of state's election.

Colombia: Samper Address on Inquiry, Election Proposal

PA2203203196 Santa Fe de Bogota Radio Network in Spanish 1731 GMT 22 Mar 96

[Address by President Ernesto Samper Pizano from the Narino Palace in Santa Fe de Bogota, broadcast in progress — live relay]

[FBIS Translated Text] ...the media responsibly handle the material that will be at their disposal as of next Tuesday. The country should not overlook the accusations filed against me through the media, much less that I have asked the Chamber of Representatives' Investigations and Accusations Committee to open an ex officio investigation on the charges against me so that I can clearly prove I was not responsible for those actions. Although this committee had already issued a writ of prohibition based on virtually the same facts that Fernando Botero's accusations refer to, I asked the Chamber to revoke this writ in my favor and open a formal investigation, which is now in progress.

At the same time, and through a bill, I asked the Congress to lift the confidentiality of the proceedings against me and ordered the official radio and television stations to broadcast the parliament's sessions that debated and passed this law so the people could learn about all of the details that led to its passing. The committee and plenum debates will be treated in the same way. Similarly, I have endorsed the statements and requests by organizations that favor the creation

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of a citizens' supervisory office, which would closely follow the course of the investigation.

In addition, I have accepted that the Chamber of Representatives will make the decision that should have first been made by the Accusations Committee. In my arduous and long defense, every possible effort to demonstrate my innocence has been made. The president's natural judicial authority has been ignored. The investigations representative was attacked, although unsuccessfully. An attempt was made to assassinate my lawyer, who has since left the country, and, more recently, my present proxy, Luis Guillermo Nieto, had to prove, and did so successfully, his moral and political qualifications to defend me.

Now, I am renouncing the resources that the law offers me for defense. I am renouncing my right of confidentiality of proceedings. I accept the open and public judgment of my behavior with no restrictions or secrecy.

What else can I offer my accusers? What other proof of my honesty can be useful to or be of interest to them? Now, all I ask of you is that you let the committee do its duty without pressure or obstacles and that the Chamber of Representatives does the same when the time comes. I also ask the committee publicly — of course without ignoring its rights — to expedite its work within the terms stipulated by law. The country wants to get out of this crisis now and only Congress can help us attain this goal.

I also invite you, the media, to report objectively and thoroughly everything you find in the files, both the favorable and unfavorable evidence, as well as the points of convergence and the disagreements among key witnesses. Now, the country will truly be able to see the other side of the coin. There are many testimonies, and there is a substantial amount of evidence in this process that Colombians still do not know.

Dear friends: As of this moment, it will be up to Colombians, based on all the details linked to the case, to form their own opinion of what occurred in my presidential campaign. When they do this, I am convinced that many will have a different opinion than the one they have had thus far. As a citizen and as the president, I will always have the satisfaction that I have given all the necessary guarantees for this action to develop with the most absolute transparency, even — I reiterate — to the detriment of my own right to a defense. Today, I want to stress what I said publicly in Congress during the opening of the special session: I only want a fair and impartial trial on the part of my judges, nothing more and nothing less. I await the verdict with a clear conscience.

As I offered during the opening of the congressional session, I am also willing to find effective solutions to the problems generated by the crisis. This week, in an effort to advance this pledge, I began a series of contacts and consultations with ranking Colombians to listen to their views and initiatives. Next week, I hope to continue this task. I do not intend to ascertain what should be the solution to this crisis. However, I am convinced that the solution must be an integral one, because many aspects must be considered.

As president of Colombia, my main responsibility is to help find a solution to the crisis we are facing. We need to go back on the path of normalcy; stop the danger looming over our economy; stop the deterioration of our international image; and guarantee the legitimacy of our representative institutions. With all due respect, I do not agree with those who believe that my resignation would resolve the institutional crisis, nor do I agree that my sole resignation would generate a greater level of governability. I do not agree with any of this because the crisis is not limited to the situation being faced by the president or the investigations being conducted on the campaign. Our solution to this crisis must answer to problems that go beyond any of these circumstances. It must guarantee that future elections will not be faced with the same problems; that the parties will recover their drawing power; that Congress will be strengthened; and that the practice of politics will be a dignified and stately activity. This is the framework within which I have begun these contacts to find a solution.

First. I am recommending that the business sector try to isolate the effects of the crisis from the performance of the economy. We should try to abstain from mixing one with the other in order not to undermine economic or political development. The first to be harmed through any unreasonable conduct in the handling of the economy, will be the business sector itself. As they say in Italy, it would be like spitting on their own plate of food.

Second. We must also start working in establishing the foundations leading to political reforms. By acknowledging lessons learned from the crisis we will be able to reinstitutionalize the political parties and movements, clearly determine the financing of political campaigns by the state, select in a democratic and clear manner the representatives of each political group, and formulate the grounds of a new strategy of opposition and political parties that will revitalize democracy.

Third. Judicial reforms would permit, in joint agreement with the Office of the Prosecutor General and Supreme Court of Justice officials, finding legal and constitutional solutions to expedite and end cases still pending,

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and to, once and for all, identify responsibilities and legal sanctions in agreement with the various legal circumstances involved in each case.

Fourth. In these consultations, there have been numerous political propositions to solve the crisis. Some of the formulas analyzed and discussed include, a government of unity, a shortening of the presidential term, and an endorsement of the mandate through a referendum. I invite all sectors of the country to express their opinions on these options. A government of unity would, among other things, help us all to assure a quick return of institutional tranquility in the country. Consensus has always been fruitful in Colombia to overcome times of tribulations. A reduction of the presidential term without, of course, affecting Congress' term, offers a different time scenario to stave off the effects of the crisis; a constitutional reform would seem to be a perfect possibility. A referendum would allow my mandate to be subject to public scrutiny so that there would be no doubt about the will of all Colombians to support on our social project. These, or any other solutions that are found and analyzed must all have a common denominator; they must be viable, constitutional, and democratic. These options will only be attempted after the Chamber of Representatives has issued a decision. In no case, I repeat, in no case could I, as president, overstep the Constitution and press for a political solution to the legal solution already under way. No one should feel left excluded from this integral strategy to overcome the crisis. This task must involve everyone and will benefit everyone. This is why I urge Colombians to join forces in this endeavor of restabilizing the country. I invite you all to contribute your grain of sand, with faith and unselfishness, by setting aside all negative emotion. For my part, I will adopt any necessary action, always bearing in mind the welfare of Colombia and the future of Colombians. This is what I have offered the nation; this is what I promise Colombians; and this is what I owe my own children. Thank you very much.

Colombia: 'Experts' See Reservations in Samper's Proposal

PA2403005596 Santa Fe de Bogota EL TIEMPO in Spanish 23 Mar 96

[Received via Internet]

[FBIS Translated Text] In order to make the legal reform President Samper has proposed as a solution to the political crisis triggered by Case 8000 a reality, we will need not only a constitutional amendment but also the filing of at least two draft bills in Congress. Even if Colombia could hold new elections through the approval of a legislative bill — constitutional reform — we need additional discussions on initiatives in order to make viable the granting of legal benefits to the key individuals implicated in the case.

Yesterday, during an event at Narino Palace, President Samper summarized his proposal as follows: "Legal reform will allow us, by common consent with the Prosecutor General's Office and the spokesmen of legal courts, to find legal and constitutional solutions to expedite and end the continuing proceedings and define responsibilities and procedural treatments in agreement with the various legal situations pertaining to each one of them."

A high-ranking government spokesman explained to this daily that President Samper's objective is to now listen to the prosecutor general and the magistrates to promote an agreement aimed at defining how viable legal reform is.

Experts whom this daily consulted and who asked to remain anonymous explained their reservations on the motion of expediting the investigations on those who are involved in the Case 8000. They recalled that due process and the right to defend themselves of those who are involved cannot be violated and stressed that penal legislation stipulates timeframes for each phase of the case, timeframes that must be kept.

The other solution, a dean of the School of Law of the Externado University of Colombia maintained, is to explore the likely amendments to the Penal Procedures Code or open the path to a "constitutional dictatorship in order to rule in specific cases immediately. Where would the independence of the judicial branch remain then? Would we not be engaging in a sort of 'deconstitutionalization' of the country? [no closing quotation mark as published]

In the opinion of constitutional expert and dean Roberto Sachica, President Samper had always voiced his intention of respecting the Constitution as a mechanism to resolve the institutional crisis; "however, it now seems that the idea is to seek extraconstitutional solutions." The lawyer voiced his concern about the government's proposal of penal amnesty for those officials who accept their guilt regarding drug trafficking ties. "Amnesty is a way of forgiving and forgetting political crimes; if its scope is indiscriminately extended, any criminal could avail himself of the amnesty by invoking the right to equality," Sachica pointed out.

As for the thesis of proceeding with procedural treatments in agreement with the legal situations of drug traffickers and certain congressmen at the time they have to account for their actions before justice, the experts affirmed that we could resort to a law to establish that the rules of regional justice do not apply to congressmen.

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By this means, they added, we could agree on a special trial procedure and prerogatives — namely, liberties, house arrest, imprisonment at military garrisons — for parliamentarians and prominent personalities. However, they went on, this alternative could be clearly unconstitutional, because it violates the right of equality.

Anyway, so far these are only speculations on a proposal that has not been made official yet. The government launched the idea of an agreement to shorten terms and define responsibilities; so far, however, it has failed to make official any idea, nor has it formally proposed a full stop law.

Colombia: Valdivieso Not To Run in Early Elections

PA2303033496 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1700 GMT 22 Mar 96

[From the "RCN Radio Events" newscast]

[FBIS Translated Text] Colombian Attorney General Alfonso Valdivieso Sarmiento has requested that he be disqualified from participating in any upcoming presidential elections if they should happen to take place early.

The official told RCN that he has no intention whatsoever of participating in an electoral bout if this proposal, which was made by President Ernesto Samper Pizano to overcome political crisis in country, is approved. He added that it would be absurd to appear as if he had promoted such a course to solve the political situation in Colombia.

He said: I also say this in reference to the issue of advancing the elections, if this is in accordance to the Constitution. I cannot look as if I am taking advantage of the circumstances to participate as a presidential candidate, or as if I had promoted the curtailment of the current administration, he underscored.

Valdivieso Sarmiento explained that at a meeting, President Ernesto Samper Pizano [words indistinct] brought up the issue of moving the elections forward for me to back him. It would be inconceivable, if I were a presidential candidate [words indistinct] any explanation. I owe myself to my work and [words indistinct] I will assume it after my term [words indistinct] ends [words indistinct] in August 1998, he said.

Valdivieso stated to RCN [words indistinct] any position I take on the political crisis in the country [words indistinct] the ongoing cases against President Ernesto Samper Pizano.

Colombia: Report on Reactions to Samper's Proposals

PA2303200496 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1715 GMT 23 Mar 96

[From "The Midday Newscast"]

[FBIS Translated Text] The formulas presented by President Ernesto Samper on Friday, including a reduction of the presidential term by early elections, or by reaching a political consensus, generated nationwide conflicting opinions in recent hours.

As all Colombians know, by presenting on Friday the potential options to overcome the political crisis triggered by the investigations against him on the alleged participation of drug-related money in his presidential campaign, the president [words indistinct] situation to stay in his post until the end of his mandate on 7 August 1998. The president admitted to having reviewed the following alternatives: holding early elections at the end of this year, or at the beginning of next year; holding a consultation or reaching a political consensus with other sectors of the ruling Liberal Party revealed the results of a poll conducted last night with a sample from Santa Fe de Bogota. The results indicate that 58 percent of those polled agree with President Samper's proposal. However, in this debate to find a solution to the crisis, many people have called for prudence until the Accusations Committee of the Chamber of Representatives determines whether or not the charges against the president are valid.

EL TIEMPO also indicated today in its editorial that President Samper's initiative might be very dangerous and, at one point, it states its disagreement with it. The editorial adds that any agreement on a solution should strictly comply with the guidelines stipulated in the Constitution specifically to resolve situations such as the one we are currently facing and might be facing for several more months.

Colombia: Politicians React to Samper's Proposal

PA2303200396 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1715 GMT 23 Mar 96

[From "The Midday Newscast"]

[FBIS Translated Text] Medellin — Benjamin Higuita, delegate to the Chamber of Representatives, has said that President Ernesto Sampe's proposal for a political solution of the crisis should be studied carefully.

[Begin Higuita recording] We should study the proposal very carefully. I do not know what instrument the president will offer to the country to implement the proposal, whether a referendum or a legislative act,

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the latter having to be debated by the Congress. I suppose he will take the opportunity of the sessions that will open in June to have the Congress discuss the proposal in first debate. This would make it possible to discuss it in second debate prior to 20 July. In this way, elections could be held on a date that has tentatively been mentioned as between November and February next year. [end recording]

Higuita also described the proposal as advisable because, he said, the country seems to be immersed in a whirlwind, where the country is going to pieces. It is necessary to seek intelligent solutions.

In Manizales, in response to Samper's proposal for an institutional solution of the government's crisis, Senator Omar Yepes Alzate has said that ahead-of-schedule elections for president should go hand in hand with elections for Congress.

[Begin Yepes Alzate recording] I am not sure whether we should believe all this. After all, so many things have been said about the President of the Republic and, when the chips are down, things are not quite right. The country's problem is one of absolute credibility, and there is no credibility in the political class [words indistinct] the president's future. Anything done should be better than nothing. For instance, the idea of a national agreement seems to be the best. A solution out of the Liberal Party would leave the country unchanged. The truth is that the Liberal Party has been pointed out by the public as the cause of (?the failure). [end recording]

Yepes Alzate, who is also the president of the Conservative Party, believes that the present situation does not reflect the people's will and the country thinks that many people elected to Congress have the same shortcomings as the current government.

Colombia: Ex-President on Shortening Presidential Mandate

PA2303193196 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1715 GMT 23 Mar 96

[FBIS Translated Text] Sante Fe de Bogota — Former President Alfonso Lopez Michelsen proposed an agreement among former presidents to overcome the crisis of the government led by President Ernesto Samper, and considered it difficult to shorten the presidential mandate as suggested by the president.

The former Liberal president, who at the beginning of the year warned of the polarization of the country [word indistinct] said that an agreement among the former presidents is necessary to reach a solution that will not become a confrontation. According to Lopez Michelsen, Samper did not consult him regarding [words indistinct] although he did consult with him on his new proposals before making them public Friday. These include reforming the constitution to, among other things, make possible moving presidential elections forward, creation of a national unity government, the [words indistinct] of a popular consultation regarding the permanence of the president, and changes in the judicial system.

Colombia: Politicians Criticize Samper Election Proposal

PA2303215896 Madrid EFE in Spanish 1839 GMT 23 Mar 96

[FBIS Translated Excerpt] Santa Fe de Bogota, 23 Mar (EFE) — Colombia has become engrossed in an agitated debate following President Ernesto Samper's proposal to resolve the political crisis with constitutional reforms to hold early elections, change judicial norms, and grant amnesty to corrupt individuals.

The initiative has been considered by numerous sectors as unreal; it has not even received the support of members of his own party, and the sharpest criticisms are being made by the opposition. [passage omitted]

Samper's initiative was strongly attacked by certain senators such as Enrique Gomez Hurtado and Jaime Arias Ramirez from the Conservative Party as well as from Enrique Parejo Gonzalez, former Liberal presidential candidate and former justice minister, among others.

Conservative Andres Pastrana, who was Samper's rival in the 1994 presidential elections, and the first to report the presence of drug trafficking money in the Liberal Party's campaign, has reiterated that the president should resign and be replaced by Vice President Humberto de la Calle, the current ambassador to Spain. [passage omitted]

Several congressmen, meanwhile, said that before holding new elections a political trial must be held by the Chamber of Representatives against Samper. Others pointed out that the president's proposal brings more problems than solutions.

Liberal Senator Luis Guillermo Giraldo said, "The cure is worse than the disease." His opinion is shared by fellow party members.

According to Giraldo, the proposal "will only serve to prolong Samper's agony."

Juan Manuel Santos, former presidential hopeful for the same party, agreed the reforms "create more problems than solutions."

Senator Enrique Gomez Hurtado said, "Samper's resignation is indispensable, because the government has

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demonstrated it has no reserves when it comes to exerting pressure."

According to Liberal Enrique Parejo Gonzalez, Samper "owes Colombia a moral reparation, which is none other than his resignation as soon as possible."

Cutting the presidential term short is not contemplated in the 1991 Colombian Constitution and a constitutional reform may only be approved by two different legislatures; therefore, Samper may remain in power until 1998 when his term expires.

The head of state, however, according to sources close to the government, seeks a "worthy solution," even though the majority of political leaders believe the proposals that have been presented puzzle and confuse citizens even more.

Colombia: Samper Rules Out Resignation

PA2403231996 Santa Fe de Bogota EL TIEMPO in Spanish 24 Mar 96

[Interview with President Ernesto Samper by EL TIEMPO journalists Jesus Ortiz Nieves and Jorge Gonzalez at Hatogrande Hacienda; date not given; first two paragraphs are introduction — received via Internet]

[FBIS Translated Text] "Some people think everything here can be corrected with a simplistic solution: Let the president resign." He speaks of a general lifting of disqualifications if the elections are held ahead of schedule. He declares himself "shocked" over Former Defense Minister Fernando Botero's bank account figures.

Samper stands at the gate to his Hatogrande Hacienda, in shirtsleeves despite the cold savanna air. He then leads the reporters to his meeting room where you immediately get the feeling that the ghosts of Bolivar or Santander could materialize.

[EL TIEMPO] Mr. President, is your resignation the only solution you do not contemplate or even consider contemplating?

[Samper] The country is split into two large groups: One — fortunately the minority — wants the president out. The other — the majority — wants a solution to the crisis. I have sided with the latter.

[EL TIEMPO] When you say you have sided with those who want a solution to the crisis, do you mean you rule out resignation?

[Samper] The most recent opinion polls show that 54 percent of the Colombian people think the president should stay. There is a percentage of undecided people. If we split it in two, and add one half to those who think I should leave, and the other half to those who think I should stay, we would get approximately 60 percent who think I should stay. Why, then, should I take the action that the minority wants rather than the one supported by the majority?

[EL TIEMPO] Is not the constitutional reform you are planning to endorse simply a formula to solve a personal problem?

[Samper] If it were a formula to solve a personal problem, I would make no effort to find a way out, even if it implies a constitutional reform. I would just stay.

[EL TIEMPO] You have declared yourself innocent and said that you will present the constitutional reform proposal after the Congress has decided on trial proceedings. If the decision proves favorable and you feel you are innocent, why cut short your term?

[Samper] Because I am fully convinced that here we have two different situations. One is my behavior, regarding which I expect the Chamber to make a favorable pronouncement. Because I am innocent, I cannot expect a different decision. The other is the campaign, whose actions create a political responsibility that I am willing to consider once a decision has been made on my personal behavior. That is when we will sit down and consider which are the facts of my behavior and which are those of my campaign. It is regarding these facts that I have been talking of the need for a governability analysis. Now, you will ask: Why did you put the governability before the Chamber's decision? For the simple reason that I do not want others to think I am aiming at the Chamber decision exclusively to trick the country. Quite the contrary. Based on that decision, I am willing to proceed with this. As a second measure, certain governability aspects must start to be discussed, regardless of the outcome. For instance, we can mention preservation of the economy and political reforms. Even judicial reforms will have to be made if we are to find a complete solution to the problem.

[EL TIEMPO] Would the constitutional reform go hand in hand with a Full Stop Law?

[Samper] The strategy, all of it, is a full stop strategy. To put it simply, certain people narrow down the analysis by saying that the important thing here is for Samper to leave, as if by so doing, drug trafficking would end the following day, as if the problem with the infiltration of its money in the various domestic activities would end, and as if the problem of moral contamination we have as a consequence of drug traffickers' many years of actions would end. Contrary to this simplistic solution, I explain it to myself more as an expression by certain

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opponents than as a desire to find a real solution to the crisis we are experiencing. What we have to seek is an overall solution to determine if we are capable of making this society learn the lessons we are being taught on what this tolerance of drug trafficking was and, starting with this act of contrition, of finding the path toward making amends. For instance, a law on campaign financing, a reinstitutionalization of political parties, and even a selective solution to the many legal problems that are currently adversely affecting various people at different levels are part of this solution.

[EL TIEMPO] Have you realized that since you made your announcement, your proposal to hold early elections has not been accepted? Lopez did not like it, neither did Gaviria, nor the presidential hopefuls, nor many people in Congress.

[Samper] This is a list of options. I understand that some have been interested in limiting any action to a reduction of my term. I would rather talk about holding early elections. The reason for this is that I believe it is a much stronger argument that I would even be willing to consider a different constitutional scenario to stay in power rather than saying that we will hold early elections. I have proposed three options. Several weeks ago, I proposed the first one, namely, holding a popular consultation to ask people whether they want me to leave or stay. If the Chamber of Representatives acquits me, I believe the most logical action would be to submit myself to the scrutiny of the people. Some opponents have ruled out this option in a very peculiar manner, arguing that they do not like this formula because I would win the consultation. This is a very antidemocratic way of killing a democratic proposal. Then, there is a second option: To build a government of national unity. Why should not all of us make the effort to achieve this? And when I say all of us, I am truly referring to a government that would benefit everyone, based on a noble purpose, because this is not merely about saving Samper. If we are ever able to achieve this, I would already be saved in political and judicial terms. Thus, it is clear that I am not trying to save myself, but to save the country. Let us show the world and prove to everyone that we are capable of building a consensus. Finally, there is the option of reducing the presidential period, which would allow, advancing this reform I have proposed and within a specific period of time, a peaceful succession.

[EL TIEMPO] However, why would you close the door on Humberto de La Calle as your presidential successor?

[Samper] This is not the case. I am not closing any door on Vice President De La Calle. On the contrary, the matter here is that if we rule out my resignation as a possible solution, and I reiterate: I rule out this possibility, because I do not believe my resignation would resolve, as if by magic, the problem of governability. This is so because, obviously, De La Calle being my successor, that would not be a viable option. This does not mean that De La Calle does not meet the constitutional or the personal requirements to be my successor. He could be a presidential successor through a constitutional transition as clearly established by the Constitution, or through a democratic election that could emerge from the implementation of any of these other options. However, no one should ever view De La Calle as part of the problem, but as part of the solution.

[EL TIEMPO] Are you willing to immediately submit a political reform bill that may include a shorter presidential term, even before the Chamber makes a statement?

[Samper] I do not wish to interfere with the Chamber's autonomy to judge the president's behavior. I have asked both the Accusations Committee and the Chamber of Representatives itself to expedite, within the terms provided by law, the current consideration in Congress of this case, which — I believe — best serves the country's interest. I would never pressure the Chamber either directly or indirectly to issue its verdict.

[EL TIEMPO] In the event that earlier elections do take place, who would be among your followers? For instance, would Horacio Serpa be one of them?

[Samper] I do not know. Actually I have not thought of this option in terms of specific developments. I have no dates, because it would be dishonest to present a menu of options and, at the same time, be tied up with one of them or with the details of some of them. It should be noted that there are opponents of these formulas as well as supporters.

[EL TIEMPO] Why is it said that a constitutional reform is practically impossible while we wait for the developments at the Chamber and — following this same line of thought — that you are playing your cards well?

[Samper] This is not true. I believe that a constitutional reform is absolutely feasible provided there is an agreement. However, in that case we would have to get rid of any pride. A constitutional reform that seeks a constitutional, democratic, dignified, and presentable solution before the international community does not imply that the foundation of the political constitution will be modified.

[EL TIEMPO] Is there not perhaps a hidden message of ungovernability? In other words, are you not admitting that you no longer can govern the country?

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[Samper] On the contrary, there is a message that the president is leading the process of finding a solution to the crisis, and that we have clear ideas on how to go about it; in fact, it seems to me that the other factors of governability that have been mentioned in the past have been adequately handled. For instance, the issue of the Armed Forces. With the adjustments we recently made to them, their ranks are calmer. I am the first one to be interested in protecting them from any deliberate action, or from any action that would involve them in a careless reaction to the political situation. I recognize that, from this standpoint, the role the Armed Forces have played during the current situation is admirable.

[EL TIEMPO] Do you not think that as you proposed a shorter presidential term and early elections, the Liberal Party, which is the party that helped you win, will be the big loser? How can you explain to history that you will become the executioner of your own party?

[Samper] On the contrary, I cannot separate my being a Liberal from my being a president. Even though I am working for all Colombians, I am aware that I reached power by heading a Liberal ticket and following a Liberal campaign. I believe that if the Liberal system per se, not the government, offers a dignified, democratic, and reliable solution, in international terms, I believe that it would necessarily get the support of Colombians, who would see a party finding solutions to a crisis, regardless of whether the party is involved in it.

[EL TIEMPO] Would lifting the obstacles on people who want to aspire to the presidency mean that Horacio Serpa's obstacles would be lifted too?

[Samper] All the presidential hopefuls would be in this situation; however, any constitutional decision would obviously have to involve the lifting of obstacles. This is the same as inviting them to get on a plane when the plane is already in the air.

[EL TIEMPO] Is this transition formula not, to a large extent, a process to pave the way for Antana Mockus, who is leading the polls of election candidates?

[Samper] This is certainly an interpretation. I do not want any interpretation of this sort near me. My democratic upbringing, by principle, makes me not prevent any person who may be considering running for president from having an option within the constitutional or legal framework.

[EL TIEMPO] What are you planning to do if the Prosecutor General's Office takes one or all three of the ministers to jail?

[Samper] Before anything else, I would regret it. I would sincerely regret it, because I am convinced that the three ministers have irreproachable personal and moral qualifications.

[EL TIEMPO] Is the Prosecutor General's Office acting politically?

[Samper] I do not know if it is acting politically; however, I hope that the prosecutor general is aware that many of his actions have political consequences.

[EL TIEMPO] Why are you so sure the Accusations Committee and the Chamber will acquit you?

[Samper] Because I am innocent, and this is precisely why I have accepted what would not be asked of any other citizen in the world: Renouncing the mechanisms of my trial. I will have practically one mechanism for my trial: That my trial will be made public, that the confidentiality of the proceedings will be lifted, which is a kind of right any person has: to be tried privately. I have renounced all of this in order to instill credibility and honesty in the trial, so that people will be able to thoroughly examine anyone. I am convinced that when people get involved in the process, they will find surprises that could turn the trial around.

[EL TIEMPO] For instance...

[Samper] The degree of personal responsibilities. It is not enough to say that there was or was not drug trafficking money in the campaign; the important thing is how it got there, under what conditions, and even if it did not get there, but was siphoned off somewhere else.

[EL TIEMPO] According to you, who did it?

[Samper] I do not think it is necessary to go too far to determine who was responsible. Among other reasons, because they have confessed to having done it.

[EL TIEMPO] Your lawyer hinted at the Narino Palace on Friday that one of them is Fernando Botero.

[Samper] I have made the decision to separate the political handling of the crisis from my defense, among other things because I do not want to be criticized and told that I am totally dedicated to my defense; the truth is that I am dedicated to my government's agenda. I must confess, however, that what Dr. Nieto revealed about Dr. Botero's accounts abroad surprised me. I am asking the Prosecutor General's Office to investigate that matter, because the truth is that those conjectures presented by Dr. Nieto, with the support of the evidence existing abroad, are quite serious and I believe they could clearly demonstrate my innocence.

I have a good impression of the prosecutors who have the decision on the ministers' fate practically in their hands. I hope they will bear in mind a question no one

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has asked, which is that certain people in the campaign could have been interested in that money, by seizing it from the campaign, for strictly personal gain.

Those of us who are innocently involved in this process have the right to have this hypothesis considered. I am sure the Prosecutor General's Office will bear it in mind when the time comes to make a decision on the ministers.

[EL TIEMPO] Your critics have said that if the political crisis did not knock you down, the economy will.

[Samper] Since the day I was sworn in I knew the economy in 1996 would be difficult for several reasons: first, because the construction cycle had lasted too long and it had to slow down; second, because a recession in certain key industrial sectors was expected anyway, and obviously these factors were accelerated and increased by certain circumstances we are trying to correct, such as the increase in money laundering activities in the last few years — not only during my government — which has obstructed the growth of certain activities such as textiles and the shoe industry, among others. That is why we have just established strict safeguards to prevent the importation of shoes from Taiwan and the PRC, which is hurting us greatly.

The fight against the cartels also produced recession-like effects on the economy. The activity they were conducting was also affected. The economy in general is doing well. We make too many demands on the economy, and we are not taking into account that our economy can be an example anywhere in the world. For example, economic growth in Peru is dropping by almost 2 percent. There is recession in the entire region.

We are going to push our economy ahead. I see interest rates as dark clouds over us, but I believe that if we solve that problem, and if we improve expectations by separating the economy from the political crisis, the country should not be adversely affected.

Colombia: Discussion of Samper Proposal Said Premature

PA2403041296 Santa Fe de Bogota Radio Cadena Nacional in Spanish 0230 GMT 24 Mar 96

[FBIS Translated Text] Chamber of Representatives President Rodrigo Rivera Salazar has said that holding discussions on a proposal of the nature that President Ernesto Samper has made is absolutely premature. The Risaralda Department leader and parliamentarian pointed out that the issue of summoning elections in advance could only be considered following a decision by the Chamber of Representatives and as long as such a decision is the one the president is awaiting.

Rivera affirmed that, at this time, when Congress is only collecting evidence from the Accusations Committee, it is too soon to proceed with a debate of this sort. What we have to do is to wait with patience and respect until justice — in this case, the Accusations Committee and the Chamber of Representatives — completely fulfills its duties.

Colombia: Reaction to Pardo's Leave of Absence

96SM0178A Santa Fe de Bogota EL TIEMPO in Spanish 21 Mar 96

[Received via Internet]

[FBIS Translated Text]

Reactions

Luis Fernando Jaramillo—DLN [Liberal National Directorate] President

"The fact that Rodrigo Pardo is taking a leave of absence will have no negative repercussions for Colombia abroad, because the vice minister will assume responsibility for performing the unfinished tasks.

"It seems to me to be a normal attitude assumed by a person of the greatest integrity, as Rodrigo Pardo is, and as Ministers Serpa and Turbay are as well."

Jaime Arias Ramirez—DNC [Conservative National Directorate] President

"It appears to me to be a sensible attitude with respect to the country, the government, and himself: to the government, because it prevents it from facing a major problem in handling foreign relations; to himself, because it gives him time to defend himself; and to the country, because it sets an example for Doctor Serpa."

Luis Emilio Sierra Grajales—Senator

"His decision is an example that should be followed by President Ernesto Samper, and Ministers Horacio Serpa and Juan Manuel Turbay. This process should be surrounded by the clearest transparency, and without the doubt involved in defending themselves in a trial from the highest positions in the Colombian state."

Vicente Torrijos—Director of International Relations, Xaverian University

"It will not have any effect on the operation of the country's foreign service and diplomatic corps but, unquestionably, the signal received by the international community will be that the internal crisis in governability has reached the point of jeopardizing the mainstays of foreign policy. Therefore, our maneuvering room on the

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hemispheric and global level will be limited to a high degree."

Francisco Leal Buitrago—Political Scientist

"This has negative consequences for the country: primarily, because Minister Pardo is a person on a very high level, and the one who will replace him, at least during these weeks, is not on the same level.

"It also has effects in the sense that the head of the country's international relations appears, in the eyes of the international public, to be questioned. Of course, given the record of the international public's familiarity with the Colombian problem, those negative consequences are somewhat mitigated."

Enrique Gomez—Senator

"It seems to me that he has done the most sensible thing that he could have done under these circumstances. It is preferable for a person in such circumstances not to remain in office, so that people will not whisper behind his back."

Rafael Puyana—General (retired)

"Colombian's relations could be hurt, because it must be admitted that the one in the current administration who has most distinguished himself in the functions of his office is Foreign Minister Pardo Garcia-Pena. And, of course, when he gives up that responsibility, even though it may be temporarily, his absence will necessarily be felt.

"Nevertheless, from a personal standpoint, I should also mention the sensitivity with which he has managed to act, so that there will be more freedom on the part of the Prosecutor General's Office for carrying out the steps related to the process."

Andres Gonzalez—Ex-Minister and Political Scientist

"It seems to me to be a respectable decision. However, it is to be hoped that the leave of absence will be very brief, because the representation of the country's international relations cannot be weak nor temporary. Apart from this, we are talking about an honest life. The presence of political liability could be debated, but criminal liability is unthinkable."

Colombia: Editorial Urges Resolution of Case 8000

96SM0179A Santa Fe de Bogota EL TIEMPO in Spanish 21 Mar 96

[EL TIEMPO editorial — received via Internet]

[FBIS Translated Text] The temporary retirement or, to be more exact, leave of absence requested by Foreign Minister Rodrigo Pardo, and the possible absences of the heads of the Interior and Communications Ministries, during times of difficult events with which they should be dealing, absences that will necessarily divert them from the functions inherent in their offices, appear to be putting the present cabinet in a provisional state. It is another complication in this difficult period that President Samper is undergoing. But, in any case, facts must be viewed for what they are. The summons of three leading members of the cabinet to make unsworn statements creates a highly complicated situation for the discharge of the administrative functions of those accompanying the head of state in his term.

We do not know whether they will be replaced, although there is every indication that this will not occur. And it is understandable that, for the moment, the almost enslaving discharge of their functions will become obstructed. This goes to show how case 8000 is compromising the country's normal activities to such an extent that it has now reached even the ministerial cabinet. The situations created by the aforementioned process, in addition to the problems posed by the guerrillas, the drug traffic, and insecurity, comprise an accumulation of factors that sooner or later will affect an immense number of Colombians more severely. Therefore, it would be highly beneficial to find a way of expediting the process, without overstepping the legal regulations. Whatever can be achieved in this respect has assumed an urgent status. For better or worse, the solution that emerges concerning the president will contribute greatly to surmounting this crisis that is shaking Colombia.

Without losing tempers, and with the indispensable calmness required by such a complex situation, all the participants in this already exhausting battle should combine their efforts to make the legal procedure (the most advisable one) acquire speed and, without breaking any of its strict rules, and with total clarity, help to surmount the crisis, without any major trauma.

It cannot be denied that the foreign minister's temporary or permanent absence will have a considerable effect on the difficult issues facing the government. When this is accepted, all that is left for us is to retain our calmness and serenity and, in particular, our spirit of unity, not concerning a person, but rather the country.

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Colombia: CGN Sends Letter to U.S. Commerce Secretary

96SM0181A Santa Fe de Bogota EL TIEMPO in Spanish 21 Mar 96

[Received via Internet]

[FBIS Translated Text] Cartagena—"Relations with the United States should be reinforced, but the way to do this is not by causing damage to sectors of the economy that depend on international trade and the credit agencies."

This statement was made yesterday by the National Council of Business Associations [CGN] in a letter to the United States Secretary of Commerce, Ronald Brown.

The Council of Business Associations claims: "The sanctions imposed on Colombia: depriving it of 50 percent of the international aid funds, voting against the issuance of loans from the multilateral banks, and creating the possibility of an elimination of commercial preferences, have caused damage to the economy, constituting a severe blow to the Colombian people."

The letter cites the guilds' claim that Colombia needs to maintain its traditional levels of economic performance in order to continue the battle against poverty, corruption, and drug trafficking.

The letter also asserts that, "The time has come to reconsider the political issues associated with the universal threat of drug trafficking and consumption. The use of narcotics is a major public health problem, which must be solved globally, and not through bilateral measures that cause harm to the people of friendly nations."

The business owners maintain that, in Colombia and the United States, the politicians are using the drug problem and the certification process to incite emotions and nationalistic arguments. They are neglecting the real problems that must be dealt with if there is a desire to curb the drug trade.

They declare: "Colombians are aware that the influence of money from the drug traffic has hurt their democratic institutions. The country will continue to seek the truth and the restoration of ethical behavior and legality.

"Fortunately, the integrity of our courts and prosecutors is clarifying the situation, and they have made the public realize that no Colombian can stand above the law."

Colombia: ELN Guerrillas Propose Peace Talks

PA2503035496 Mexico City NOTIMEX in Spanish 2037 GMT 24 Mar 96

[FBIS Translated Excerpt] Santa Fe de Bogota, 24 Mar (NOTIMEX) — Privately-owned Emisoras Caracol Network of Santa Fe de Bogota, citing government sources, today reported that the Army of National Liberation (ELN) made a proposal to the Colombian Government to hold talks to seek a peace agreement.

The rebel organization conditioned the implementation of the negotiation process on a previous agreement with the Revolutionary Armed Forces of Colombia (FARC), which is a group that, along with the ELN, forms the so-called Simon Bolivar Guerrilla Coordinating Board (CGSB).

This information was broadcast after the Colombian Police uncovered a plot by the rebels to dynamite, among other public buildings, the Narino Palace (the government seat) and the Defense Ministry. The authorities found a rebel "weapons cache" in a residential neighborhood in Santa Fe de Bogota, where they hand-assembled rockets [previous word received in English], rocket launchers, and other heavy weapons, and where they kept documents on the attack plan.

According to the radio station, it is believed that the rebel group that Spanish priest Manuel Perez heads wants to hold talks in concert with other rebel groups in light of the possibility of finding common negotiating elements among the guerrilla organizations.

The spokesmen cited by the report pointed out that "even though there is no official statement by President Ernesto Samper or the ones responsible for the peace process, it is believed that the ELN conditions could be part of a distraction from the rebels' real peace plan."

However, a new statement by the FARC, on its likely interest in seeking new ways to reach a consensus on a political solution to the armed conflict Colombia has faced for nearly four decades, is expected. [passage omitted]

Colombia: FARC Rejects Business Strike, Urges Commission

PA2303212196 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1715 GMT 23 Mar 96

[From "The Midday Newscast"]

[FBIS Translated Text] Caracol received today a communique issued by the self-styled Revolutionary Armed Forces of Colombia, FARC.

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The FARC rejects the proposal for a business strike which, it asserts, is not a very serious alternative as it is ineffective and partial. Instead, it proposes the creation of a temporary government commission to be comprised of representatives from the business guild, workers union, the Catholic Church, the Armed Forces, the Liberal Party, the Conservative Party, left-wing sectors, the Guerrilla Coordinating Board, the Indians, and other religious organizations in the country.

The communique observes that such a commission could summon, with the broadest possible consensus, to new elections [words indistinct] and corrupt practices.

The FARC communique [words indistinct] sent to the Colombian Caracol Network also threatens to activate what it calls urban armed reaction commandos, which are stationed at vulnerable points all over the nation, if a broad and democratic solution is not implemented in the country.

Ecuador

Ecuador: Public Transport Strike Lifted, Pact Reached

PY2303033196 Madrid EFE in Spanish 0003 GMT 23 Mar 96

[FBIS Translated Excerpt] Quito, 22 Mar (EFE) — Ecuadoran President Sixto Duran-Ballen today announced the lifting of the strike being staged by public transportation workers, after the workers unions and government reached an agreement.

According to the agreement, a 9 million sucres ($3,000) compensation will be paid for each of the 1,200 vehicles that will be taken out of circulation.

Duran-Ballen asserted "the government will make a monthly disbursement of resources and another amount will be obtained through short-term bonds to provide credits."

He added that the agreement "solves the technical problems of the capital and the human problem of the transportation workers," who have accepted the authorities' proposed solution. [passage omitted]

Peru

Peru: Broad Demand for Oil Referendum

96SM0157A Lima LA REPUBLICA in Spanish 13 Mar 96

[Received via Internet]

[FBIS Translated Text] Yesterday, Congress members from various political organizations declared that President Alberto Fujimori should, democratically, abide by the people's will and postpone the sale of Petroperu [State Petroleum Agency] in portions, until the people decide in a referendum whether or not the state oil enterprise should be privatized.

The Congress members are backing the demand of the National Federation of Peruvian Oil and Related Industries Workers [Fenpetrol], which is calling upon the chief executive to respect the people's verdict regarding the sale of Petroperu in portions.

Javier Diez Canseco, a congressman from United Left, claimed it to be obvious that 70 percent of Peruvians oppose the privatization of Petroperu, noting that the government is nevertheless attempting to impose a privatization at full speed and without consultation.

He remarked that Peruvians should not be denied the right to determine the fate of a company that belongs to them.

'The Referendum Will Occur, Period'

Diez Canseco declared that, if the president refuses to call for a referendum, the collection of signatures will continue and the "referendum will occur, period."

He reported that he had recently visited Iquitos, where pro-referendum committees for the defense of Petroperu are being formed, under the direction of the Loreto Patriotic Front, which various organizations in the country are joining.

He announced that he would soon be traveling with General Cesar Robles and other members of the Petroleum Defense Committee to Piura, Talara, Paita, Sullana, Catacaos, Chulucanas, and other provinces, to set up more committees.

Diez Canseco said that the postponement of the sale of Petroperu until a referendum is held was inevitable, not only because of the people's demand, but also because the bidders themselves have requested delays.

He noted that there is a sense of insecurity among the bidders, because they have encountered an atmosphere of opposition to the privatization process, and also because a vast sector of the country's political forces consider it inappropriate.

He observed that privatization is illegal, and that this position is supported by the fact that there has been no change in Legislative Decree 043 (Organic Law of Petroperu). The latter stipulates that the state oil enterprise may be changed, partially or completely, only by an express law. He added: "Therefore, the government cannot order the enterprise to be divided, separated into lots, or sold in portions."

Diez Canseco maintained that these situations have prompted various sectors to withdraw from the purchase

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options, noting: "This applies to Government Oil Deposits, which withdrew as a bidder for Petrolube."

He indicated that there is a demand in the country for the privatization issue to be handled differently, and not in a hasty manner, as President Fujimori is attempting.

JNE Delays Delivery of Ballots

Furthermore, he claimed that the National Election Board [JNE] is taking too long to issue the 100,000 ballots requested by Fenpetrol, even though the application was submitted over a month ago.

He predicted that the collection of signatures will reveal the citizens' desire in this regard, and will support a position on behalf of monitoring the JNE.

He indicated that a referendum on this issue would be the first experiment of its kind, because it will not be called by the state, but rather by a social movement.

Congressman Daniel Estrada Perez, coordinator of the congressional group Unity for Peru, asserted that, if the people want a referendum, steps should be taken to hold it. "That would be the most democratic action," he remarked.

He expressed approval of postponing the sale of Petroperu, because a major problem is arising, associated with Ecuador's persistent stalemates — in which the latter is seeking sovereign access to territories overlooking the Maranon and Amazon Rivers.

He claimed that, in view of these pretensions, "We Peruvians must be materially prepared for any contingency, given the bad experiences that Peru has had, and the fact that Petroperu's privatization under these circumstances could be detrimental to the national security."

Furthermore, he gave a reminder that, in 1987 and 1988, a series of forums was promoted in Cusco to debate the issue of the gas in Camisea. He said that, on that occasion, a proposal was made that was the exact opposite of the bid for production operations that the government had made at the time with Shell.

Noting that eight years have elapsed, he said that the government is indirectly admitting that the model chosen and defended by the people of Cusco is valid.

He added: "If the government's opinions are amended, it would not be at all unusual for the same stupidity of the government in 1988 to be repeated, possibly causing us to regret the privatization of Petroperu eight years thereafter."

Henry Pease Garcia, of UPP [Union of the Peruvian People], for his part, agreed in stating that President Fujimori should democratically respect a verdict from the people concerning the privatization of Petroperu.

He noted that the president has not received a blank check from the people, something that he observed during a tour made in the northern part of the country. He added: "All of northern Peru is demanding a referendum on the privatization of an enterprise that pays the most taxes and has become established as Peru's top-ranking company."

He said that the polls are reflecting that a very high percentage, namely, 70 percent, of the people reject privatization, because it would bring more unemployment and hunger.

He stressed that the privatization process has a poorly prepared timetable, and that it will not affect the holding of a referendum, "which could quite readily take place within a month."

He stressed that, in view of an imminent referendum, the National Election Board should act clearly and transparently, abiding by what the law stipulates.

For his part, Carlos Chipoco, of UPP, stated that a referendum is a positive and important democratic solution.

He commented: "If, after the referendum, the option is 'no' to privatization, the Constitution obliges the president to accept the people's decision."

He explained that UPP does not approve of the procedure for privatizing the state oil enterprise.

Peru: Political Violence in 1995 Reviewed

96SM0157B Lima DESCO SPECIAL REPORT in Spanish Dec 95 pp 2-6

[DESCO Special Report No 56: "Political Violence in Peru Today"]

[FBIS Translated Text] The principal sites on which Sendero Luminoso [Shining Path-SL] and the MRTA [Tupac Amaru Revolutionary Movement] engaged in large-scale activities during 1995 were located in the Peruvian jungle.

This prompted the main countersubversive operations on the part of the forces of law and order to be conducted in Alto Huallaga, the central jungle, and the edge of the Ayacucho jungle.

In the case of Lima, Sendero Luminoso confined itself primarily to a political type of activity and the execution of agitprop action, and, to a lesser extent, acts of sabotage and selective assaults. In 1995, the capital was the scene of an ideological debate between the factions

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supporting Abimael Guzman, on behalf of the peace accord, and those backing Oscar Ramirez Durand, on behalf of a continuation of the armed struggle.

In Lima, the situation would appear to reflect a major decline in the detonation of car bombs. During the year now ending, Sendero detonated three car bombs in Lima: one at the home of the government party congressman, Victor Joy Way, in the La Molina district; another at the Maria Angola Hotel, in Miraflores; and a third opposite the police station, in the Independencia district.

However, one of the acts with the strongest impact, in addition to those previously mentioned, occurred at the end of November, when the National Police managed to detect and deactivate an MRTA plan of action, including an attack on the Congress of the Republic.

Captured during these incidents — together with the MRTA's number two man, Miguel Rincon Rincon — were about 20 MRTA members who had moved out of the central jungle to implement the plan devised by the MRTA leadership.

But Sendero Luminoso also suffered substantial blows by the National Police, the most prominent being the capture of Margie Clavo Peralta and Juan Olivares del Carpio, along with other Senderist commanders, in the central part of the country.

With this blow, Sendero Luminoso in Lima lost its relationship with the principal regional committees in the country, particularly that in Alto Huallaga. The latter had virtually become consolidated as the most important regional committee for Sendero.

The government's objective this year was to achieve the arrest of Oscar Ramirez Durand, "Comrade Feliciano," in an attempt to keep its promise to disband Sendero Luminoso completely. Nevertheless, this objective could not be attained, representing a disappointment for the forces of law and order.

The Sendero Luminoso Regional Committees

Regional Committee of the Jungle (San Martin, Loreto, Huanuco)

After 12 September 1992, Sendero Luminoso was forced to change in many respects. The captures of its national and regional leaders by the National Police forced the groups headed by "Feliciano" to attempt to reorganize in the locations where they had been less severely beaten, and where they would be assured better protection.

In the national territory, that setting is the jungle, especially Alto Huallaga. Hence, it is no coincidence that, during the past two years, the principal subversive activities have been carried out in these localities, and that this zone has become Sendero's principal territory.

During the first days of July of this year, according to police intelligence reports, Sendero's Emergency Central Committee met in Alto Huallaga, in the locality of Venenillo, in Leoncio Prado Province of the Department of Huanuco.

According to the DINCOTE [National Counterterrorism Directorate of the PNP (Peruvian National Police)], at that meeting the Senderist Central Committee and its principal commanders went so far as to declare the Alto Huallaga Regional Committee a priority.

Participating in that meeting, according to the police reports, were "Ciro," "Vallejo," "Clay," "Lazaro," "Artemio," and "Rita." Also present, the same sources claimed, was a person with a limp in one leg, wearing a beard and glasses, and known as "Geronimo." This "Geronimo" has been identified by the National Police as Oscar Ramirez Durand.

Sendero Luminoso's principal military commanders and cadres are taking cover in the middle of Alto Huallaga. The most prominent of these commanders are "Ciro" and "Clay."

Mobilized under orders from these commanders are the Senderist columns from Alto Huallaga which, according to police reports, use the Alto Pacae region of Leoncio Prado Province, in the Department of Huanuco, as a possible rest area.

The latest confrontations during December in Tocache Province, between the forces of law and order and the Senderist columns in Alto Huallaga, confirmed these hypotheses.

Recent captures of Senderists such as the so-called "Comrade Farfan," and of several heads of drug trafficking "firms," have, for their part, once again attested to the pacts maintained by these groups in the Peruvian jungle.

During 1995, the close relationship between the drug traffickers and Sendero appeared more clearly, so much so that, in the case of the "narcos" captured recently, not only has their financial contribution been proved, but also their support to the subversives from a logistical standpoint.

Although the relationship of Sendero and certain members of the forces of law and order with the drug traffic is based on the protection being given by these two groups to the drug activities in exchange for payments in dollars, Sendero is taking the best advantage of this

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relationship. Through the drug traffickers, it is obtaining first-rate information on the movements of the state's forces, which it uses to plan ambushes, harassments, and annihilation activities.

Moreover, in mid-July of this year, the population of Alto Huallaga witnessed the confrontation between members of the National Police and the Army. There were clashes that even resulted in the deaths of several noncommissioned National Police officers.

These incidents occurred in the district of Aucayacu, in Leoncio Prado Province. The conflicting patrols were disputing the defense of their "protegees" — that is, drug traffickers linked to both Army and National Police sectors.

Principal Regional Committee (Ayacucho, Huancavelica, and Apurimac)

During 1995, the government's chief objective in the antisubversive battle in this region was its attempt to achieve the capture of Oscar Ramirez Durand, "Comrade Feliciano."

The intelligence reports indicated the presence of "Feliciano" in the Viscatan area. As many as five Army countersubversive operations were carried out during the year in connection with this objective.

These attempts were unsuccessful for achieving the capture of Ramirez Durand; nevertheless, it has been fully proven that one of the so-called "Comrade Feliciano's" hiding places is the jungle zone of Viscatan, in Huanta Province, on the boundary with La Mar Province.

However, the countersubversive operations have succeeded in forcing what remained of Sendero in Ayacucho to retreat to these two provinces. The few activities carried out by Sendero during the year have had these regions as their setting.

The Sendero Luminoso columns are taking refuge in these zones because this affords them a quick escape to the Valle del Ene zone, or to Valle del Urubamba, when they are being pursued by the forces of law and order.

Sendero's principal force is not permanently installed in these localities; they are only sites for refuge associated with the regular movements made throughout Valle del Ene, Valle del Apurimac, and the Urubamba zone.

According to the experts, the Huamanga Front, headed by General Tomas Marky, with its center of operations at the well-known "Los Cabitos" quarters in Ayacucho, has made a decision: "Feliciano's" capture must be an accomplishment of the Army.

This is a goal with which the officers and subordinate personnel of that military garrison have become well acquainted. According to the talks held with members of the Army, the objective is for this institution to capture "Feliciano" with its own forces, thereby matching what was achieved by the National Police with the capture of Abimael Guzman.

Nevertheless, "Feliciano's" comparative advantage is his familiarity with the terrain. As a result, the Senderist leader has managed to escape on various occasions.

The visits paid to provinces such as Cangallo, Victor Fajardo, or Lucanas have shown us that all these zones, previously agitated by Sendero Luminoso, are virtually pacified.

Sendero has a presence in the department's jungle provinces, and to a very slight extent in the city of Huamanga, where its presence is insignificant. Hence, it is not affecting the daily lives of Ayacuchans.

Regional Committee of the Center (Junin, Oxapampa, Huarochiri Province)

In this part of the country there is a kind of watertight compartmentalization, divided between Sendero and the MRTA, although both groups are still established in what is known as the central jungle.

Sendero Luminoso is relatively well established in Satipo Province, in the Department of Junin, covering the entire Valle del Ene area.

We say "relatively," because the Senderist groups in these zones usually move toward Valle del Apurimac or Atalaya Province, either to elude the countersubversive operations of the forces of law and order, or to seek new bases in which to become settled.

The Senderists' mobility has in most instances prevented them from being easily detected by the forces of law and order. Nevertheless, this year, information provided by Ashaninka natives indicates that Sendero is still engaging in harassment activities against some of their communities.

These sources of information note that there are Sendero groups in the basin of the Ene and Tambo Rivers. This is a zone adjoining the Urubamba basin. The natives of the zone also think that "Feliciano" is most likely hiding in this area. The members of these communities mention attacks on the settlers who have taken refuge in these localities.

Sendero Luminoso's organization in this part of the jungle consists of committees comprised of a few Ashaninkas, with a population brought in from other provinces, especially from the sierra.

Nevertheless, there is evidence that Sendero Luminoso in the Valle del Ene zone is in a critical situation with

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regard to food and medicines. Many of those who escape from its ranks arrive in the native communities in a state of malnutrition and illness.

The Senderists have been forced to reorganize and reduce the 12 committees that they had in the zone. During 1993, they were regrouped into six committees and, in February 1994, into four. These Senderist committees are: Jungle Union, Rich Spring, Red Star, and Continuer. Each one includes an average of 130 persons.

During the last month of 1995, the forces of law and order resumed a countersubversive operation in the central jungle, which ended with the capture of at least 50 presumed subversives from the MRTA and Sendero Luminoso.

The MRTA

Insofar as the MRTA is concerned, its most recent stronghold is located in territories close to one another: Chanchamayo and Oxapampa Provinces.

In Chanchamayo, the MRTA is situated near Pichanaqui, especially in what is known as Alto Pichanaqui. It is also located in San Luis de Shuaro, from which there is a small corridor leading to the Villa Rica zone of Oxapampa Province.

It is from this central jungle zone that the MRTA transferred a contingent of over 20 men to Lima, to initiate a presumed plan of attacks at the year's end, including the seizure of the Congress of the Republic.

Furthermore, it may be said that the area from Bajo Pichanaqui (Chanchamayo) to Puerto Ocopa (Satipo), and from there to Valle del Ene, is a Sendero Luminoso zone.

Regional Committee of the North (La Libertad, Ancash, Cajamarca, Piura, Lambayeque)

In the north, Sendero Luminoso maintains a presence in the localities of Huancabamba, Morropon, and the Lambayeque sierra, as well as in the Huamachuco region.

In these zones, the Senderist militants have established corridors connecting Lambayeque Province with Huancabamba, and the latter with Cajamarca's Jaen Province.

Sendero's effectiveness in Huancabamba is due to its taking advantage of the bad relationship that the population has with the forces of law and order, particularly the Army. According to accounts from NGO [Nongovernmental Organization] workers in the zone, a kind of coexistence is being reestablished between the Senderists and the population.

Nevertheless, it is difficult for the population to inform the forces of law and order about the Senderists, owing to the aforementioned relationship, and also because the settlers in these zones do not want to suffer reprisals from the Senderists.

The zones in which Sendero is located in Huancabamba Province are: Huarmaca, Sondor, Sondorillo, and Sapalache.

As a result, there is a column established in the Huarmaca and Sondorillo zones. This subversive contingent may even have opened a corridor connecting it with Jaen Province.

This route, running from Huarmaca to Jaen Province, serves as an escape site, and one for seeking new bases in this part of the country.

These movements toward Jaen prompted Sendero to initiate a series of invasions in the towns of this province.

After the Senderist militants in this column make their attacks, they divide their forces: one part hides among the population, and another contingent moves toward Jaen.

An assessment of the Senderist activity in Huancabamba Province last year shows that, during April 1995, Sendero Luminoso carried out the largest number of attacks: 14 operations, which caused the deaths of five persons.

These operations consisted mainly of guerrilla invasions of various zones in this province. Some of the hamlets in Huancabamba in which Sendero Luminoso has carried out subversive acts, and which are being used repeatedly to date as sites of Senderist action, are: Ingano Grande, Paltapampa, Tocto, San Martin, Naranjo, Hualapampa, Cordova, Los Lirios, Suchirca, Succhil, Palo Blanco, Ulmapache, and Rodriguez de Mendoza.

Generally speaking, it may be said that during the past 12 months Sendero Luminoso has maintained a regular political presence and one of guerrilla action in this province.

But Huancabamba is not the only site in the Northern Region with a Senderist presence.

Some Senderist invasions have even extended as far as Chulucanas and Morropon, in Piura.

Metropolitan Lima

The Senderist activity in Lima continued to be limited to a preeminently political effort. This was a year in which armed activities did not predominate in the capital.

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But the principal phenomenon in Lima was the debate in which the two Senderist factions were embroiled: those supporting the proposal for a peace agreement, submitted by Abimael Guzman, and those adhering to "Feliciano," with his proposal to continue the people's war.

It is well known that "Feliciano's" faction, the so-called "Red Sendero," has had the support of the majority of the PCP [Peruvian Communist Party]. Nevertheless, in Lima it is confronting problems of leadership, organization, and execution of armed activities.

The situation seems to be easier for Guzman and his followers. They have a single political objective: to continue consolidating a core group, waiting for a favorable occasion on which to reappear.

The Lima districts in which Sendero Luminoso continues to be present are: Los Olivos, San Juan de Lurigancho, Ate Vitarte, and part of El Agustino. A few months ago, in the southern cone, they attempted to revitalize their presence in Villa El Salvador, but several captures by the police forced them to fall back.

The type of activity has not changed. It is still of a political nature, submerged in the daily life of the human settlements.

The major decline in the armed activities of the "Feliciano" sector is due to various factors. One of them is the failure of the so-called Red Sendero to establish a strong political leadership for that organization. This has prevented it from setting objectives and goals in its armed struggle.

During 1995, the police discovered that, for a long time after Guzman's capture, the central part of the country was the area through which the Senderist militants from Lima were maintaining their connection with the rest of the country.

From Huancayo, "Feliciano's" group was attempting, every once in awhile, to construct a bridge toward Lima, passing through the Huarochiri zone. The last significant capture made by the police following this route was that of Margie Clavo Peralta and Jorge Olivares del Carpio, together with other Senderist cadres.

The 1995 statistics on Sendero's presence in Lima are very revealing. There is an obvious decline. In San Juan de Lurigancho, one of the districts with the greatest Senderist influence, nearly 50 attacks were recorded in 1993. The number dropped to 20 in 1994, and reached only ten attacks in 1995.

The most frequent types of action are agitprop activities, and even those incidents are few. In other words, there are "paintings," distributions of flyers, and the posting of banners showing simulated explosive devices.

Nevertheless, the attacks with the greatest impact in Lima were the detonation of car bombs and the selective assassinations of popular leaders, proving that Sendero's threat has not been completely neutralized.

The MRTA in Lima

Special mention should be made of the incident that occurred at the end of November, with the capture of Miguel Rincon Rincon, leader of the MRTA.

The events in La Molina have to some extent demonstrated the latest attempts of the MRTA and of Nestor Serpa to carry out activities with an impact on the public.

Furthermore, the MRTA documents seized by the police in La Molina and published by the news media indicate the possibility of an agreement with Sendero Luminoso.

Even during the MRTA's best times, with Polay as its leader, there was a hard-line faction headed by Serpa himself, which was in favor of an alternative of this type. On the other hand, we cannot fail to recall that, during the process of political violence, mention was already being made of the MRTA's "Senderization."

Everything seems to indicate that the MRTA's assessment of the current political situation had shown it that this was an appropriate time for reappearing, and thus becoming established as the subversive group with the greatest impact. However, the police intelligence work foiled that intention.

The capture of the MRTA members in La Molina has not broken up this group completely. It still has an average of 70 men in the central jungle, as well as the presence of Nestor Serpa. Despite the press reports placing him in Bolivia, the political intelligence reports indicate that he was in Lima at the time of the incidents at La Molina.

In this connection, it is quite likely that, as a result of the capture of Rincon and members of his military front, there is a decision on the part of the forces of law and order to give that subversive organization a final blow.

The countersubversive operations carried out in Chanchamayo, Oxapampa, and Satipo in mid-December could be associated with this objective.

Prospects

The map of violence drawn in this report makes it possible to observe that the route taken by Sendero Luminoso, with leadership problems and lacking a strong

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organization, is becoming increasingly complicated, and that its survival will continue to be questionable.

Sendero Luminoso is in full retreat, appearing with its operations on but few occasions, particularly in the zones in which it has the most strength: Alto Huallaga and the rest of the Peruvian jungle.

It could remain in this situation for a long time. It has in its favor a knowledge of the territory, and it is exposed to only a few countersubversive operations on the part of the forces of law and order, which are usually sporadic. These operations apparently are associated with a response action, rather than an overall offensive strategy for control of territory.

On the other hand, the MRTA, after the harsh blow suffered at La Molina, has retreated again, in view of the initiative of the forces of law and order.

Peru: Political Violence in 1995 in Numbers

96SM0157C Lima DESCO SPECIAL REPORT in Spanish Dec 95 pp 7-8

[DESCO Special Report No 56: "Political Violence in Peru Today"]

[FBIS Translated Text] Last year, subversive activities continued their downward trend, but not so markedly as between 1993 and 1994.

Whereas, in 1994, the subversive groups committed 684 attacks, leaving a death toll of 609 persons, in 1995 the attacks numbered 610, and the victims, 516.

Most of the subversive acts took place in the Jungle, Lima, and Principal regions, with 164, 126, and 108, respectively.

During 1995, unlike what occurred in 1994, Lima yielded its position to the Jungle Region, thus confirming that the latter zone is currently the principal site for Sendero Luminoso [Shining Path-SL].

Many of these incidents were confrontations with the forces of law and order engaged in various countersubversive operations. Nevertheless, in some of them Sendero planned and executed ambushes against the state forces.

In the case of Lima, most of the incidents consisted of agitprop activities, and attacks of a sabotage type. On three specific occasions during the year, Sendero succeeded in detonating an equal number of car bombs in the capital. Despite these incidents, and a few annihilation actions, the general impression among Lima's population is that national pacification is a reality.

The regional committee known as the Principal ranked third for attacks.

Despite the weaknesses found in Ayacucho, Sendero Luminoso has retreated to the jungle zone of Huanta and La Mar Provinces. This year, the majority of activities were countersubversive operations undertaken by the forces of law and order for the purpose of capturing "Feliciano."

As for the victims, the Jungle region was the one in which more than 60 percent of the fatalities were concentrated. In this region, they maintained almost the same level as in 1994. During that year, the victims recorded in the jungle numbered 323, and in 1995 the deaths totaled 319.

Most of these victims were casualties in the subversive ranks, as a result of countersubversive operations on the part of the forces of law and order.

Ranking in second place was the regional committee of the North, with 63 actions. Up until 1995, the North was one of Sendero Luminoso's principal sites. However, during that same year the government made the decision to put an end to the Senderist structure in that zone.

Therefore, the Northern provinces were the scene of constant countersubversive operations on the part of the Army, and of intelligence activities seeking that objective. Despite this, Sendero carried out guerrilla type invasions, and achieved a few annihilations or selective assassinations.

In a virtual tie for third place were the Central and so-called Principal committees, with 48 and 47 attacks, respectively.

Attacks by Regions

Lima Region: attacks from January to December: 11, 7, 27, 32, 13, 9, 9, 4, 4, 4, 4, 2; total: 126.

Northern Region: attacks from January to December: 4, 2, 14, 38, 4, 11, 10, 2, 1, 1, 4, 1; total: 92.

Central Region: attacks from January to December: 3, 1, 11, 11, 24, 10, 11, 2, 5, 3, -, 2; total: 85.

Southern Region: attacks from January to December: 1, -, 1, 6, -, 12, 3, -, 1, -, 1, -; total: 25.

Jungle Region: attacks from January to December: 8, 8, 25, 40, 6, 38, 19, 2, 3, 12, 1, 2; total: 164.

Principal Region: attacks from January to December: 4, 2, 12, 49, 6, 10, 8, 4, 1, 9, 3, -; total: 108.

Middle Northern Region: attacks from January to December: -, -, 1, 2, -, 2, -, -, -, -, -, -; total: 5.

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Middle Southern Region: attacks from January to December: -, -, 1, -, -, 1, 3, -, -, -, -, -; total: 5.

Totals for all regions from January to December: 31, 20, 95, 178, 53, 93, 62, 14, 15, 29, 13, 7; total: 751.

Percentages by regions: Jungle: 27; Lima: 21; Principal: 18; Northern: 15; Central: 14; Southern: 4; Middle Southern: 1; Middle Northern: 1.

Victims by Regions

Lima Region: victims from January to December: 5, 3, 6, 4, 7, 2, -, 2, 3, -, 4, -; total: 36.

Northern Region: victims from January to December: 2, -, 19, 20, 3, -, 15, 1, -, -, 3, -; total: 63.

Central Region: victims from January to December: 1, -, 5, -, 13, 14, 7, 3, 3, 1, -, -; total: 48.

Southern Region: victims from January to December: -, -, -, -, -, 3, -, -, -, -, -, -; total: 3.

Jungle Region: victims from January to December: 17, 27, 32, 16, 27, 31, 84, 5, 7, 43, 1, 29; total: 319.

Principal Region: victims from January to December: 1, 3, 1, 5, 5, 5, 16, 1, 1, 8, 1, -; total: 47.

Middle Northern Region: [no entries]

Middle Southern Region: victims from January to December: -, -, 1, -, -, -, 3, -, -, -, -, -; total: 4.

Totals for all regions from January to December: 26, 33, 64, 45, 55, 55, 122, 12, 14, 52, 9, 29; total: 516.

Percentages by regions: Jungle: 61; Northern: 12; Central: 9; Principal: 9; Lima: 7; Southern: 1; Middle Southern: 1.

Victims and Attacks of Political Violence

1990-1988: Armed Forces: 292; Police Forces: 566; Civilians: 4,900; Presumed Terrorists: 5,292; Total Deaths: 11,311; Terrorist Attacks: 14,588.

1989: Armed Forces: 109; Police Forces: 229; Civilians: 1,365; Presumed Terrorists: 1,175; Total Deaths: 2,877; Terrorist Attacks: 3,147.

1990: Armed Forces: 135; Police Forces: 163; Civilians: 1,531; Presumed Terrorists: 1,879; Total Deaths: 3,745; Terrorist Attacks: 2,779.

1991: Armed Forces: 174; Police Forces: 213; Civilians: 1,282; Presumed Terrorists: 1,375; Total Deaths: 3,044; Terrorist Attacks: 2,144.

1992: Armed Forces: 199; Police Forces: 197; Civilians: 1,303; Presumed Terrorists: 934; Total Deaths: 2,633; Terrorist Attacks: 1,952.

1993: Armed Forces: 85; Police Forces: 96; Civilians: 535; Presumed Terrorists: 471; Total Deaths: 1,187; Terrorist Attacks: 1,021.

1994: Armed Forces: 61; Police Forces: 20; Civilians: 253, Presumed Terrorists: 281; Total Deaths: 609; Terrorist Attacks: 684.

1995: Armed Forces: 100; Police Forces 40; Civilians: 207; Presumed Terrorists: 191; Total Deaths: 516; Terrorist Attacks: 751.

Peru: Captured MRTA Documents Analyzed

96SM0157D Lima DESCO SPECIAL REPORT in Spanish Dec 95 pp 10-11

[DESCO Special Report No 56: "Political Violence in Peru Today"]

[FBIS Translated Text] The documents most recently prepared by the MRTA's [Tupac Amaru Revolutionary Movement] national directorate were confiscated by DINCOTE [National Counterterrorism Directorate of PNP (Peruvian National Police)] agents at the time of the capture of Miguel Rincon Rincon and other MRTA members, on 1 December. These documents reveal, among other things, the internal crisis in its organization, as well as its favorable opinion of the policy line being pursued by the Senderist [of Sendero Luminoso (Shining Path)-SL)] leader, "Feliciano." A large volume of MRTA political propaganda was found by agents from the DIVICOTE-II [Counterterrorism Division-II] at the residence in La Molina Vieja, including several issues of the bulletin "Rebel Voice," and two political reports written in April and August of last year.

In the document titled Political Report, April 1995, CEN [National Executive Committee]-MRTA, the MRTA admits that its organization "has suffered serious setbacks and, at one particular point, its continuity was jeopardized." However, it denies that the movement was ever completedly dismantled.

The MRTA leaders also admit having made mistakes that forced them to seek new types of organization. "The semi-legal and overt structures were an easy target for the enemy (...) The offensives after the cadres emerged from the Canto Grande tunnel caused an excessive waste of cadres that seriously damaged the structures."

Most of the members who escaped from Canto Grande in June 1990, including Victor Polay Campos and Lucero Cumpa, were quickly captured.

The MRTA leadership also notes that the Northeastern Front failed because it had an overly extensive area, and too many heavy units. "We were slow in adapting to a speedy, combative structure. We also failed to

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adopt more forceful measures to preserve the leadership commands and structures."

On the other hand, in discussing Abimael Guzman, they claim: "...Rather than learning from his mistakes and correcting them, he intensified them. When his strategic balance plans failed, he (Guzman) moved his focal point for action to Lima (having preached all his life that the war would proceed from the rural to the urban area). His ideological distortion and lack of military capacity caused him to engage in the most savage terrorism, which was one of the best counterrevolutionary strategies."

Moreover, the document maintains that many of the blows suffered by the security forces are due to betrayal on the part of certain members of their leadership, especially those from the "MIR [Movement of the Revolutionary Left]-Rebel Voice" group.

It declares: "The MRTA also suffered the effects of opportunism and betrayal among comrades who joined our party, basically with the 'MIR-Rebel Voice' group. There emerged from their ranks a handful of traitors who went over to the enemy side, acting directly and guiding and participating in its operations. Cistero Garcia (alias 'Ricardo') and Andres Mendoza (alias 'Grillo') belong to that breed of persons."

Both Andres Mendoza and Cistero Garcia Torres served for several years on the MRTA's National Executive Committee. Cistero Garcia had recourse to the law on repentance, and is currently located in Sauce, in San Martin Department.

In one section of its political report, the MRTA comments: "Sendero Luminoso is in a decisive phase, since it has managed to withstand the capitulation and betrayal of the majority of its leaders."

The document asserts: "We have also observed some timid attempts to correct old, very serious mistakes involving antipopular terrorism. However, it is still tied to the old ideological structure devised for it by Guzman."

The final judgment of the present-day Sendero Luminoso is not condemnatory. Rather, it subtly hints at the possibility of a future political alliance, if the Senderist group changes its methods. "For SL to be able to convert itself into a force that will impel the revolutionary struggle, it must reappraise the substance of its ideological concepts, and radically correct its methods of antipopular terrorism and authoritarianism. It must break off from its old sectarianism if it is to succeed in becoming a force which, together with all of us who yearn for the revolution, can march in unity to open the doors of the future for our fatherland."

The document concludes by reaffirming the party's political position: "Although we have been attacked severely, successfully enduring the most difficult phase of our struggle, we have managed to lend continuity to our people's battle. We are successfully engaged in the phase of active defense of our people's revolutionary struggle."

In the second Political Report, August 1995, CEN-MRTA is focused essentially on a condemnation of the Fujimori government's administration between 1990 and 1995. It contains a lengthy critique of the government's measures during that entire period. On the subject of the antisubversive policy, it comments: "Although it is true that Fujimori won major victories in the dirty war against the revolutionaries... events are beginning to show that the armed rebel organizations have not been annihilated, and that we have managed to cope successfully with the most severe phase of the dictatorship's offensive, and to adapt to the new war conditions... The Senderists apparently have reorganized, and have launched their first large-scale offensive."

The document is dated August 1995. It was mistaken in presuming a Senderist offensive, and Rincon's capture has again proved that this group's big mistake is not any single detail of the armed struggle, but rather the latter as a whole. Only the usual ideological blindness of its few leaders appears to explain why they persist in a venture so lacking in prospects.

The Disaster of the MRTA

The fatal blows to the MRTA organization date back to 1992, the year in which the Antiterrorism Division [DIVICOTE-II], one of the five divisions of the DINCOTE, undertook operation "Alacran [Scorpion] II," under the command of the then Commander Juan Gonzales Sandoval. Its objective was to disband the MRTA's main ringleaders. The effort to follow up and identify the principal connections was long and tedious, but it brought its spectacular results the following year.

On 14 April 1993, that specialized group captured Peter Cardenas Shulte, one of the leading members of the MRTA's National Executive Committee. Two months later, on 18 July, it captured Yehude Simons Munaro, a link between the subversive group and certain factions of the legal left. At that time, the MRTA was already vulnerable; its legal front had been dismantled, and the list with names of persons connected with the subversive group was already known to the DIVICOTE. It was only a matter of time.

In early 1993, Commander Gonzales initiated another operation, this time called "Alacran 93." On that occasion, the DIVICOTE captured Americo Gilvonio Conde,

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alias "Johnny" or "Juan Carlos," and the Chilean, Jaime Castillo Petruzzi, alias "Comrade Sergio," other prominent members of the MRTA leadership. A third operation, called "Alacran 94," made it possible to identify and capture Emilio Villalobos Salas, alias "Polo," and Juan Carlos Leon Montero, alias "Perseo."

Arrested in 1995 was Juan Miguel Tupalaya Velasquez, an MRTA member considered at that time to be one of the reorganizers of the subversive movement. During that year, the captures of intermediate level commanders and members of the special forces became a regular occurrence. The MRTA's military capacity was reduced to a minimum in the capital, but it maintained regular activity in Chanchamayo Province.

Nevertheless, for the DIVICOTE II the principal targets were the MRTA leaders: Nestor Serpa Cartolini, Hugo Klein Samanez, and Miguel Rincon Rincon. The capture of the latter has dealt another blow which, according to the police, is almost fatal.

In the battle against the MRTA, the image of the now Colonel Juan Gonzales Sandoval as a leader has always been prominent. He is the main architect of the constant blows to the MRTA. A native of Moyobamba, with a political experience essential for understanding the enemy, he spent time studying it and learning its political records. He is the only DINCOTE chief who has remained in his position since the creation of that specialized unit. Lieutenant General Ketin Vidal and, later, Colonels Benedicto Jimenez Bacay and Marco Miyashiro were transferred to other police departments, separating them from their main specialty: police intelligence.

Colonel Gonzales Sandoval, despite having received several "calls to attention" from his immediate superiors, precisely because of having assumed a leading, almost journalistic role, has remained in his position. There is a general consensus regarding his ironclad will to combat subversion. It is not without reason that he is called "Chacal" [Jackal], a nickname that he has retained since his graduation as a policeman.

Peru: SL Activities in January Viewed

96SM0157E Lima DESCO SPECIAL REPORT in Spanish Jan 96 pp 6-7

[DESCO Special Report No 57: "Political Violence in Peru Today"]

[FBIS Translated Text] Since the beginning of January, the presence of Sendero Luminoso [Shining Path-SL] has been more obvious in Valle del Huallaga. Various confrontations with the Army, and acts of sabotage against a private company in the area, have been the most obvious incidents. Added to them are the regular invasions being made by Sendero in certain sections of the Marginal highway.

From the settlement of Aucayacu, in Leoncio Prado Province, to Juanjui, the Senderists are making their presence felt in hamlets close to the highways. During the first days of January, a Senderist column took over certain sections of the Marginal highway on several occasions, stopping traffic through the area. Passengers in vans and on interprovincial transport buses were forced to get off and listen to harangues and speeches about the continuation of their "People's War."

According to accounts from the people themselves, the same column frequently harasses Army patrols, even causing some casualties among them at times.

According to the chief of the Tocache base, it is a small group of Senderists that moves about among the hamlets located farthest from the urban centers. They have had long experience with surviving inside the jungle with little food.

Noteworthy among the Senderist activities is the fact that, on 1 January, they ambushed a military patrol that was stationed in the vicinity of Tocache, very close to the hamlet of Bambamarca. After a confrontation, the members of the military managed to go on the offensive, attacking them.

Again, on 17 January, in the Huaynabe zone, 10 km from the Santa Lucia Antidrug Police base, a Senderist column with a group of 70 attacked a military patrol, resulting in the deaths of two soldiers. The antidrug base personnel did not come out in defense of the Army. Normally, however serious and nearby the confrontation is, neither the police personnel nor the DEA arrive as backup, because they are not instructed to do so.

Sendero Begins Collecting Dues

Furthermore, since the end of November the private company Palma de Espino has been intimidated to force it to pay dues to Sendero Luminoso. Sendero is apparently manipulating the constant complaints of the workers, who have accused the owners of paying them very poorly for their work. These complaints were heard by Sendero Luminoso, which threatened to destroy every one of the vehicles circulating through the zone if the firm did not turn over a large sum of money to the party. Sendero Luminoso was not interested in seeking an immediate benefit for the workers, but rather in giving priority to the party.

In late December, Sendero began to halt and destroy the tank trucks carrying oil from the company. Nevertheless, their sabotage method only involved spilling

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oil along the sides of the highway. By mid-January, 20 trucks belonging to the Palma de Espino firm had been put out of service. The company, located between Uchiza and Tocache, finally decided to "cooperate."

The Army Intelligence Service learned that the company had begun paying dues to Sendero Luminoso. Therefore, it proposed that an Army detachment should give the firm's trucks an atmosphere of security: in exchange, the company would give compensation to the military patrols.

An Apparent Calmness

The towns in the Tocache zone are experiencing an apparent peacefulness that is occasionally disrupted by unusual appearances of Sendero in the area.

From Tingo Maria to Aucayacu, the highway is subject to two military checkpoints (of the Tulumayo and Pendeacia military bases), and one of of the antidrug police, Dinandro [National Antidrug Directorate]. The checking is not so stringent as in previous years. Situated between Aucayacu and the locality of Tocache is the Madre Mia military base, with a strategic site in the middle of a hill, from which it oversees the passage of traffic along the Marginal highway, which was previously attacked by Sendero Luminoso.

On 7 January, in the locality of Nuevo Progreso, on the Aucayacu-Tocache section of the highway, Sendero Luminoso members, taking reprisals, killed a father and his daughter allegedly accused of being informants for the security forces. The incident occurred in the center of the town of Nuevo Progreso, a short distance from the police station. The police personnel, unlike those of the military bases, do not go out patrolling at night, but remain confined to their posts.

On the other side of the Tocache-Juanjui highway lies the locality of La Polvora, where Sendero Luminoso maintains a strong presence among the population. An Army patrol remains there for a few days, and later withdraws. In the absence of this patrol, the Senderist militants make their presence felt again, but wearing civilian clothes. According to the testimony of a civilian, certain families have not been able to leave, because the party did not allow it. Others, however, evaded Sendero's guards and escaped to Juanjui. This presence has been known to the Army for several months. On 20 October, four members of the military were killed in a confrontation with the subversives.

"Sendero Is Not the Main Problem"

Most of the population in the urban centers apparently does not regard Sendero as the main problem, but rather the economic crisis and, secondly, common crime. Accustomed to a high level of social violence for a long time, most of the population does not seem to be frightened by the Army's present skirmishes.

On the other hand, in San Martin Province, on 20 January, the members of a Senderist column invaded the settlement of Soritor, covering the walls of some houses with paintings. Taking advantage of the fact that the police station is currently under construction, the Senderists gathered the population in the square to deliver the respective harangues. The Senderist presence has been evident in that zone for the past two months.

Prospects

The Senderist forces in the zone, combined under the Huallaga Regional Committee, apparently have accepted their circumstances of having little political influence over the population. They confine themselves to committing a few subversive acts to create the impression that they are everywhere. A column of between 200 and 250 Senderists is distributed in groups of 20 to enter the zone at different points previously selected. The subversives encourage the peasants to continue growing products for their consumption, without giving precise instructions for a struggle against the state.

It is quite likely that Sendero Luminoso will continue its military activities using surprise tactics, especially against the Army. It possesses good weapons and a contingent with experience in the jungle.

Peru: Narcotics Traffic of 1995 Reviewed

96SM0157F Lima DESCO SPECIAL REPORT in Spanish Dec 95 pp 13-14

[DESCO Special Report No 56: "Political Violence in Peru Today"]

[FBIS Translated Text] In 1995, the illicit drug trafficking activity continued to wield its corrupting power over various levels of the national life. Unfortunately, it is an issue in which the transparency of the various state agents has always been doubtful.

Nevertheless, this official image of the battle against the drug traffic has been relatively compensated by the effort to detect and apprehend certain major national organizations engaged in that activity.

Interdiction

This year, the drug trafficking organizations of Peru suffered severe setbacks. The principal blows were those inflicted on the ring headed by the Lopez Paredes brothers, Abelardo Cachique Rivera's organization, and the drug trafficker known as "Baron."

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On 9 January, the Dinandro [National Antidrug Directorate] succeeded in capturing and dismantling the drug trafficking ring of the Lopez Paredes brothers. A total of 13 men and six women were arrested in Piura, Tarapoto, Lambayeque, Trujillo, and Lima.

The police seized over three tons of cocaine hydrochloride from this organization.

The results of these captures once again proved the links that the drug traffickers have managed to forge with certain state agents. One of the most prominent persons implicated in these relations with the Lopez Paredes brothers was the present vice minister of the interior, Edgard Solis Cano.

Unlike what occurred in the case involving Demetrio Chavez Penaherrera, this case was heard in the civilian jurisdiction, because the investigations failed to prove the Lopez Paredes brothers' ties with the MRTA [Tupac Amaru Revolutionary Movement] in the San Martin zone.

Moreover, on 6 June, Abelardo Cachique Rivera was captured by the Colombian police in the city of Bogota. From the outset of the police investigations, Cachique Rivera admitted his collaboration with Sendero Luminoso [Shining Path-SL] and with the MRTA in the Huanuco zone.

These statements by the drug trafficker put the case in the military jurisdiction, and therefore the connections that this criminal organization had with state officials were not fully revealed.

Two months after his capture, in a speedy trial, as those held in the military court usually are, this jurisdiction imposed the penalty of life imprisonment on Cachique Rivera.

This sentence was changed by the supreme military court to a 30-year prison term, because Cachique Rivera was considered to be only a "zonal narcoterrorist" leader.

Another drug trafficker, known as "Minister," suffered as a result of the police interdiction effort when, in mid-August, the Dinandro confiscated over three tons of cocaine in the city of Piura.

Finally, the drug trafficker Santos Vasquez Trujillo, alias "Baron," was captured in early September. Just as in the case involving Cachique, "Baron" admitted his ties with the subversive groups, through financial support, and hence was tried in the military jurisdiction.

The Corruption of the Drug Traffic

Apart from these significant captures, in the annual assessment it is also important to mention the corrupting power of the drug traffic.

Among the most prominent events was the seizure of over three tons of drugs from an airplane belonging to the Aerobol (Bolivia) company, and the distribution of real estate confiscated from the drug traffic among eight National Police commanders, including that institution's general director.

The case involving the Aerobol plane is still in the process of investigation. The Congressional Auditing Commission also formed a subtask force intended to ultimately explain everything relating to this incident.

The presumed irregularity being questioned in the case involving the seizure of over three tons of drugs is that at least a ton of those drugs was found to be mixed with starch.

The question arises from the fact that it is illogical, in an international transaction with Mexico as its destination, for the purity of a drug to be adulterated, thus leading to armed confrontations between the organization selling and the one buying the product.

But the investigations conducted by the congressional subtask force of the Aerobol plane could not progress beyond speculation, owing to the police decision to incinerate the confiscated shipment in less than 10 days.

The speed with which the Peruvian authorities acted to incinerate the drugs aroused further suspicion of some irregularity associated with the adulteration of the shipment.

These suspicions have become heightened because the explanations given for the incineration of the drugs by the Office of Drug Control [Ofecod] were not entirely satisfactory.

At a meeting of the subtask force involved in the Aerobol case, Army Colonel Amador Millones, chief of the Ofecod, claimed: "The incineration of the drugs was ordered because the Ofecod storage facilities are not very large, and have a very limited capacity."

However, these explanations are relative. This year, the Ofecod ordered the burning of drugs on five occasions. In making all these decisions, no criterion based on time or storage space for the drugs was considered.

For example, during the last week of December, at least 20 tons of drugs stored at the Ofecod since September were incinerated.

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Another scandal exposed by the news media was the adjudication of real estate seized from the drug traffic to eight high-level police commanders.

The reasons given by the one politically responsible for these acts, Minister Briones, were that such adjudications were made based on the criterion of the security that the National Police were supposed to provide to their commanders.

Nevertheless, it has been proven that these properties were being used for social gatherings.

Furthermore, this year there were sufficient indications of the involvement of certain members of the forces of law and order in drug trafficking organizations or "firms." As a result, the connections of Peruvian Army Generals Jaime Sobrevilla and MacDonald Perez, of the Mantaro front, with Cachique Rivera's "firm" are in the process of investigation in the civilian jurisdiction.

In mid-July, a confrontation took place in the locality of Aucayacu between Army patrols and the National Police who were defending the chiefs of well-known firms, such as "Champa," and "Cristal," respectively.

There was a dispute over territories on the part of these drug trafficking organizations, in which the two groups from the forces of law and order were acting as members of the latter's security units. A member of the National Police was killed in these confrontations.

Finally, General Tomas Marky, chief of the Huamanga Front's Politico-Military Command, proved to be very deeply implicated in the disappearance of a briefcase containing over $200,000 during a drug confiscation made by the Army.

Prospects

Next year, the antidrug battle apparently will have the National Police as its leading actor. In addition to the policy decision to assign this institution as the one in charge of that battle, the new general director of the National Police, General Antonio Ketin Vidal Herrera, has expressed his intention of prioritizing this task.

General Vidal is also considering reuniting the officials who comprised the Dincote [National Counterterrorism Directorate of the the PNP (Peruvian National Police)] team that captured Abimale Guzman, so that they may devise a national plan against the drug traffic.

Nevertheless, there are several prerequisites for making the police work in this area effective.

One of them is associated with the search for suitable legislation that will clearly specify the powers of the National Police in the territorial zones declared emergency zones, as compared with the Armed Forces and the military political commands.

Needed along with this is a specification of the role of the National Police and the Army in the administration of the Drug Control Office, an agency of the Interior Ministry, to complete the force assigned by the government for the antidrug battle. Part of this battle entails the authority to have a clear registration and storage of any personal property and real estate confiscated from the drug traffic, and to report this to the public at certain intervals.

Nevertheless, in 1996, a legal pitfall could arise between President Fujimori's political will to assign the battle against the drug traffic to the National Police and the passage of that institution's new Organic Law in the next legislature.

As for crop substitution, next year it does not appear that there will be an increase in the international support over the short term. The trend in international financial cooperation for this item will, therefore, continue to stand at 1.8 percent of the total international aid for seeking alternative development in the country's coca-growing zones.

Also associated with the latter topic, one matter that was not clearly evident in 1995 apparently will not be taken up by the government: namely, everything relating to the national antidrug plan assigned by the government to an official commission chaired by General Velarde.

This may be explained by the fact that the antidrug plan and international cooperation go hand in hand, complementing one another. And since, in the medium term, no change in the international aid is perceptible, the execution of a plan of this kind will be relegated to secondary status. Therefore, action of a repressive type will be given priority now.

Uruguay

Uruguay: Daily on 'Political Error' of Helms-Burton Law

PY2103182796 Montevideo EL OBSERVADOR in Spanish 14 Mar 96 p 2

[Editorial: "A Political Error by the United States"]

[FBIS Translated Text] The signing of the Helms-Burton bill by President Clinton represents a grave political error by the United States. The bill was drafted by Senator Jesse Helms and Representative Dan Burton, leaders of the most conservative wing of the Republic Party. It is a very poor law from every point of view. It does not fulfill its implicit objective of weakening Fidel

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Castro's dictatorship; on the contrary, it strengthens it and has provoked immediate international reactions of protest; among them Uruguay because it attacks the sovereign right of countries to trade freely.

The controversial legislation was approved with difficulty in Congress some time ago under the pressure of the right wing of the Republican Party and of the powerful anti-Castro lobby [preceding word in English] based in Miami. Clinton announced that he opposed the law and refused to sign it in an apparent demonstration of political reality.

Yet it was enough for Castro to resort to his old antics — brutally and provocatively — by downing two unarmed civilian planes going to drop propaganda leaflets over the island, to trigger the Clinton administration into throwing common sense out of the window and answering the provocation with the profound error of signing the absurd Helms-Burton law.

The law further tightens the U.S. economic embargo tourniquet on Cuba that was established more than three decades ago in order to make life harder on the island and to allegedly encourage a greater popular opposition to Castro's regime until it fell.

But this policy had already failed. The embargo — especially after the Soviet Union crumbled — left Cuba adrift. It only served to worsen the standard of living of its population. Instead, the law hands Castro a formidable weapon with which to blame the United States for all the island's daily miseries, and to help hide his errors under a mantle of U.S. hostility; thus uniting Cubans against the asphyxiation which is attributed to the powerful neighbor.

The Helms-Burton law expands the embargo and even prevents the Cubans in Miami from sending money to their poor relatives on the island. The law also seeks to stifle the economic opening that Cuba tried to implement during this decade, and hands Castro new methods on a tray that will help him to harshen his dictatorship and to inflame the population against the U.S. pressure.

Exactly the contrary is needed to instigate the end of Castroism. To allow Cubans to behold everyday the value of the prosperous life and freedom in other countries is the best way to expedite the end of the anachronistic Cuban socialist dictatorship.

In addition to failing in its attempt to weaken Castro's regime, some of the more absurd sections of the new law violate the international right to free trade when they threaten to sanction third countries that trade with Cuba. The EU, the Rio Group — of which Uruguay is a member — Russia, and other nations have already protested.

Clinton's reasons for changing his position are unclear, in view of the fact that he opposed the law that he has now signed. The ever-increasing popular anti-Cuban clamor in the United States could have made an impact after the downing of the planes, especially in a year that the U.S. chief of state is seeking re-election and because he needs to keep the voters happy. If this were the case, it seems the lack of prestige enjoyed by the United States is a very high price to pay.

Uruguay: Peru Court Asks For MRTA Member's Extradition

PY2203163796 Montevideo EL OBSERVADOR in Spanish 8 Mar 96 p 6

[FBIS Translated Text] EFE news agency has reported that the Superior Criminal Court of Cusco, Peru, yesterday asked Uruguay to extradite Luis Alberto Miguel Samaniego, an alleged Tupac Amaru Revolutionary Movement (MRTA) terrorist who has been imprisoned in Montevideo since last December.

Court investigations indicate that Samaniego was responsible for MRTA military operations in Cusco Department in southeast Peru. In 1991 and 1992, he led raids on police stations, public offices, towns, and radio stations.

Samaniego and Sonia Silvia Gora Silva, another alleged "MRTA member," are being held in detention. Samaniego and Gora Silva arrived in the Uruguayan capital in early December 1995, both on forged Bolivian identity documents.

The terrorists' goal involved receiving a $2-million ransom from Samuel Doria Medina, an entrepreneur and former Bolivian minister, who was kidnapped in November in La Paz by an MRTA group.

This was discovered by the National Counterterrorism Directorate [of Peru], after detaining 22 MRTA members on 1 December in Lima.

Uruguay: Jewish Groups Sponsor Rally Against Terrorism

PY2203164796 Montevideo EL PAIS in Spanish 8 Mar 96 p 1

[FBIS Translated Text] With the participation of representatives from our country's political sectors and institutions, a rally and march against terrorism was held last night, sponsored by the Central Israeli Committee and the Zionist Organization of Uruguay.

A declaration read at the Cagancha Square near a [Magen] David hexagram that was formed with candles on the sidewalk, emphasized: "We have assembled here today to say: Enough!"

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The declaration points out: "It is not enough any more to censure. It is not enough any more to become angry at these bloody murders. Crying for our casualties does not bring us any comfort." During the reading of the declaration, the amplifying equipment was mysteriously interrupted by an unidentified voice in Spanish and Hebrew.

During the rally, a message sent by President Julio Maria Sanguinetti from Canelones was also read. Among other things, he indicated: "What really matters is expressing aloud our solidarity with the Israeli people and the Israeli State."

Uruguay: Drill With Army Missile Causes Fire

PY2203165396 Madrid EFE in Spanish 0308 GMT 21 Mar 96

[FBIS Translated Text] Montevideo, 20 Mar (EFE) — It has been officially reported that a "Milan" missile fired today during a Uruguayan Army drill caused a huge fire in a forested area near Lavalleja District, 130 km east of Montevideo.

A Uruguayan Army staff communique delivered to EFE notes that the fire quickly spread through the "Abra de Castellanos" 4th Division firing range in a remote area in the Minas hills.

Neighbors of this area told the Montevideo media that the fire affected about 300 hectares of natural forest.

Several hours after the incident, which did not cause any casualties, the fire had not yet been extinguished.

Military authorities reported that a fire-fighting operation would be headed by the 4th Army Division with the support of equipment from Lavalleja and Maldonado municipalities and personnel from the Materiel and Weaponry Service [Servicio de Material y Armamento], the National Fire Directorate, the Navy, the Air Force, and the Solis Municipal Council.

Complementary operations are also being carried out to prevent the fire from spreading to properties that are not owned by the Army.

Military sources said the testing of a PRC-made "Red Arrow-8" missile, scheduled by the Uruguayan Navy in the same area for 22 March, has been postponed.

The Uruguayan Navy has PRC-made, second-generation "Red Arrow" missiles that were received as part of a settlement of a PRC debt.

The "Red Arrow" missile has a range of 3,000 meters, is capable of intercepting moving targets at speeds up to 100 km per hour, and has a computerized infrared guidance system.

The incident with the "Milan" missile in Lavalleja District today follows the incident on 20 March at an Army barracks in Montevideo, involving black powder. In that incident, a sergeant and a soldier sustained minor injuries.

Venezuela

Venezuela: PRC Official Seeks To Develop Trade Ties

PA2403131596 Caracas EL GLOBO in Spanish 22 Mar 96 p 14

[Article by Raquel Seuas]

[FBIS Translated Text] While the PRC continues to carry out maneuvers in the strait of Taiwan and the United States threatens to sell military equipment to the government of the island, Luo Gan, vice premier of the PRC [title as published], said that, regardless of the elections on Formosa and regardless of who is elected, that island territory inalienably belongs to the PRC.

Upon his arrival in Venezuela yesterday afternoon, Luo Gan was received by members of the Chinese diplomatic mission in the country, headed by Sun Yanheng, by members of the Chinese community living in the national territory, and by Jorge Rondon, director of the Asia, Oceania, and Africa Section of the Venezuelan Foreign Ministry.

"As everyone knows, Taiwan is an inalienable part of mainland China, and whoever is chosen leader on that island will not be able to change this," he said. "The authorities who are elected will be nothing more than the leaders of a Chinese region."

He said that one of the most important reasons that brought him to Venezuela was the development of the economic and trade cooperation between the two countries. Orimulsion [name given to a boiler fuel made from heavy oil] is one of the key aspects of the visit.

Gan's agenda includes placing a wreath at the Liberator's tomb at the National Pantheon, meetings with the president and vice president of the Venezuelan Congress, and, of course, one with President Rafael Caldera.

Early in the afternoon he will meet with Deputy Foreign Minister Milos Alcalay at the Yellow House and will later visit Parque Central to meet with Evanan Romero Gutierrez, deputy energy and mines minister, and will also meet with Coordination and Planning Minister Teodoro Petkoff.

The Children's Museum, the Bolivarian Museum, the Caracas Sacro, and the Liberator's birthplace were included in Gan's itinerary for tomorrow in the Venezuelan capital.

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Venezuela: PRC Official Comments on Relations, Taiwan

PA2403025896 Caracas Venezolana de Television Network in Spanish 0200 GMT 23 Mar 96

[Report by Fernando Porte]

[FBIS Translated Text] The development of Chinese-Venezuelan relations was strengthened thanks to important economic and trade agreements signed between the two countries on the occasion of the visit paid to the country by Luo Gan, state councillor and secretary general of the State Council of the PRC.

Luo Gan arrived in Venezuela accompanied by a delegation of businessmen. During his meeting with President Rafael Caldera, the Chinese official informed the president about his country's interest in signing agreements in the field of energy and of his country's intention of purchasing light fuel.

[Begin Luo Gan recording in Chinese with simultaneous translation into Spanish] The Venezuelan Government as well as the Chinese Government give great importance to the promotion of such relations, because the PRC and Venezuela are both developing countries, which face the common task of preserving political stability, promoting economic development, and consequently, improving the living standards of their respective populations. [end recording]

As for the Taiwan situation, Luo Gan said that in order to find a peaceful solution to the problem Taiwan's independence initiatives should be abandoned and the presence of foreign countries should cease.

Venezuela: Burelli Says Drug Trafficking Buys Campaigns

PA2203000996 Maracaibo PANORAMA in Spanish 18 Mar 96 p 1-12

[FBIS Translated Text] Valera (VENPRES) — "The most dangerous phase of drug trafficking is money laundering, and that is why we in Venezuela attach great importance to the first world conference on corruption, to be held in Caracas on 27 and 28 March," Foreign Minister Miguel Angel Burelli Rivas has stated here.

Burelli Rivas made those remarks upon arriving in his home state where he came to attend a forum sponsored by the Foundation for Trujillo. According to the foreign minister, "drug trafficking buys consciences and electoral campaigns."

In his opinion, the Caracas convention may help stamp out political corruption and put a stop to the most dangerous phase of the whole drug spectrum, namely, money laundering.

Money laundering and corruption go hand in hand because drug traffickers seek electoral campaigns that are in need of money to win and do not care where the money comes from to win an election, Burelli Rivas noted. He felt that in some countries democracy is being lost because of the incursion of money into politics, something that is seen in electoral campaigns that have turned into the largest of business undertakings.

With regard to Colombia, Burelli Rivas said the neighboring country has been asked to deploy at least the same number of forces Venezuela has along the border "where we have 84 military posts, as opposed to 12 on the Colombian side, to fight the narcoguerrillas that operate there."

"Colombian guerrillas," he added, "act as the armed wing of a powerful narcotics network on a vast border more than 2,000 km, where delinquents operate because they know that harassing Venezuela and creating problems between the two countries is the weak point for Colombia."

That country must deploy more troops along its border with Venezuela so that we can breathe easier regarding the delinquents that have turned the zone into a haven, he noted.

Venezuela: Sale of Banco de Venezuela Discussed

PA2103164096 Caracas Venezolana de Television Network in Spanish 0200 GMT 16 Mar 96

[FBIS Translated Text] The Banco de Venezuela is ready to be sold. The Banco de Venezuela Internacional and credit card franchise are also included in the package. The [indistinct] for negotiations is set for 18 April.

[Begin recording] [Reporter Zaida Pereira] The sale of the bank will include the U.S. headquartered Banco de Venezuela Internacional with deposits exceeding $200 million. This bank has the approval of the U.S. Federal Reserve and its liabilities are known. The first of three annual assemblies was held on Friday in Caracas to assess the bank's standing, which has been said to be very good. With respect to the Banco de Venezuela, President Jacques Vera said that it has shown a recovery, which is reflected in the bank's most recent balance sheet. Vera, therefore, believes the bank will be sold. An informative round will begin on 6 April to explain the bank's standing. Vera stated that the state will recover its investment following the sale of the bank.

[Vera] Many European investors, particularly Spanish, are interested. Several South American banks, which are partially European-owned, have also expressed interest in acquiring the Banco de Venezuela.

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[Pereira] Vera highlighted that deposits totaled 140 billion bolivares when the current board of directors received the bank. The latest balance sheet shows deposits totaling 340 billion bolivares, which reflects depositors' current confidence in the bank. [end recording]

Suriname

Suriname: DA'91 Threatens Riot If Barred From Elections

BR2003151896 Rotterdam NRC HANDELSBLAD in Dutch 19 Mar 96 p 2

[Report by Leo Morpurgo: "Surinamese Party Excluded, Riots Threatening"]

[FBIS Translated Text] Paramaribo — The Surinamese Democratic Alternative '91 (DA'91) threatens to disturb the parliamentary elections on 23 May if the party remains excluded from the general elections. The exclusion was decided by the central polling committee last Friday [15 March].

"The inlanders will not let the elections take place then," a DA'91 spokesman said. The party also threatens to take action to make voting impossible elsewhere in the country. DA'91 consists of several parties, i.e. Alternative Front, Brotherhood and Unity in Politics, and Independent Progressive Democratic Alternative (OPDA). Former Army leader Desi Bouterse's party, the NDP [National Democratic Party], has not been excluded from the elections.

Last Friday the central polling committee decided to exclude DA'91, the Progressive Development Alliance, and the General Liberation and Development Party from the 23 May parliamentary elections. As a result all maroon and native parties have now been excluded. They allegedly failed to meet the condition that they must have at least 2,640 members, i.e. one percent of all registered voters in Suriname. This arrangement was introduced in 1987 as a threshold to keep out the so-called miniparties which cannot win a seat anyway.

Yesterday the three excluded parties appealed to President Venetiaan. As of today the president has three days to make a decision. If the relevant parties do not agree with it, they can ask a judge to pronounce judgment. The final nomination for the National Assembly, the district councils, and the county councils is on Friday, 29 March.

The central polling committee justifies its decision with samplings into the validity of the membership lists. It claims the lists of the excluded organizations contained incomplete data, so that the computer of the Central Office of Mechanical Administration was unable to verify the existence of the listed persons. Both DA'91 and the Alliance claim that the central polling committee gave them written instructions regarding the conditions they had to meet. After their exclusion DA'91 and the Alliance asked permission to examine the membership lists, to check which members had been rejected. The central polling committee refused because it claims it made notes on these lists.

Yesterday D. Ramkhelawan of the OPDA said that a threatened cat can be very dangerous. He is convinced that the New Front, the government coalition, is behind the central polling committee's decision to exclude the opposition parties.

The president is expected to undo the central polling committee's decision, if only because of the central polling committee's carelessness in supplying insufficient instructions to DA'91 and to the Alliance.

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